Nation's Business
USEFUL LOOK AHEAD
APRIL 1962

HIDDEN TAX RISE LIMITS YOUR PROSPERITY

PAGE 70

You can save extra-value dollars PAGE 38
Automation creates new jobs PAGE 40
Planners urge federal land control PAGE 42
Keep your memory young PAGE 98



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Nation's Business

April 1962 Vol. 50 No. 4
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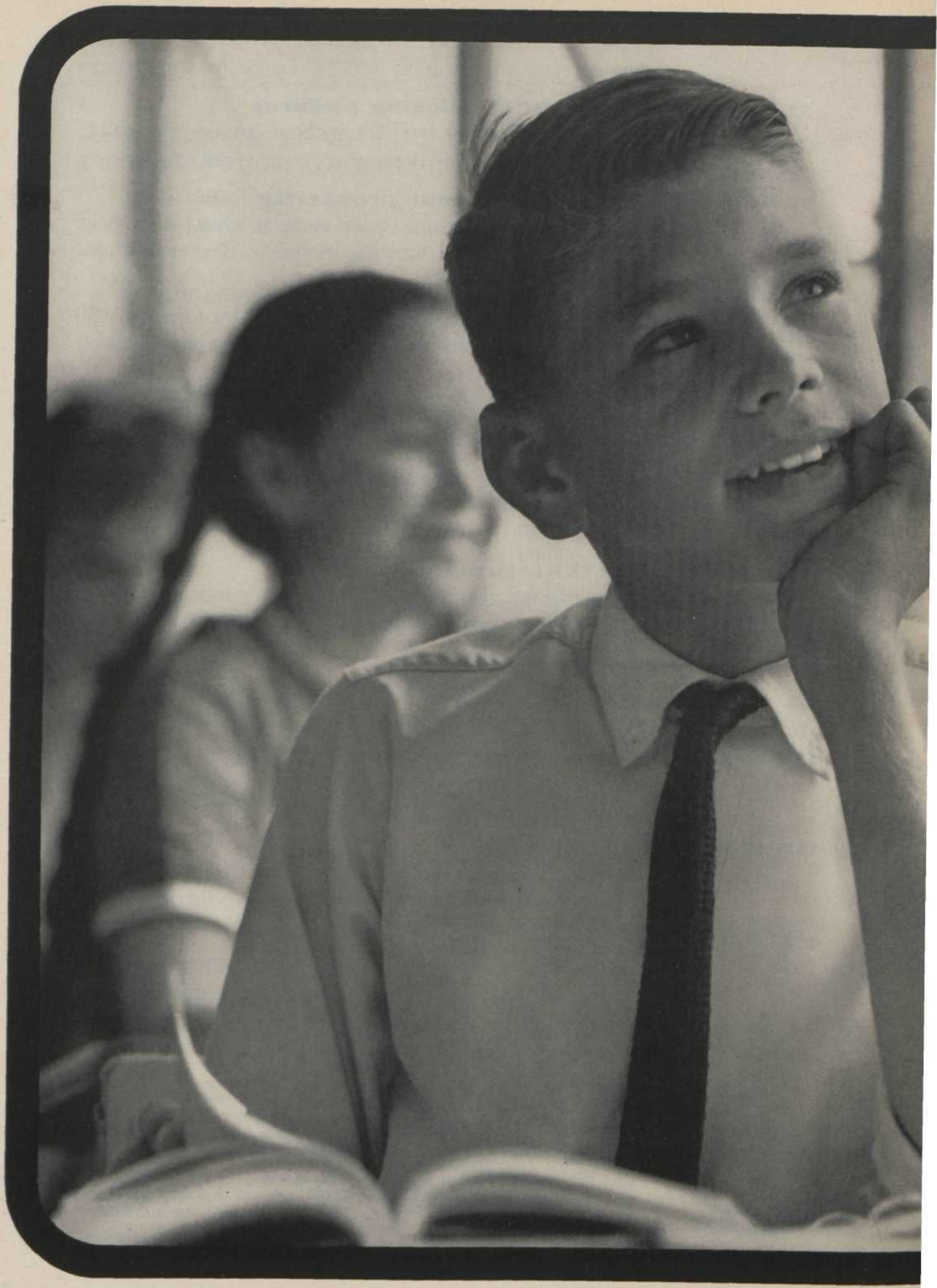
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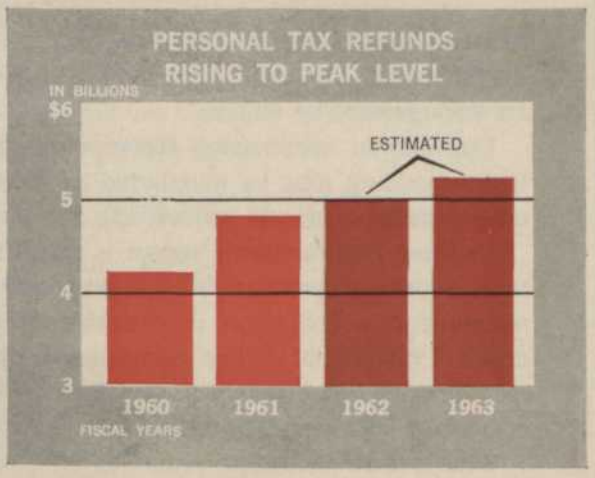
WASHINGTON **BUSINESS OUTLOOK**

Tax time again. Internal Revenue Service is geared up to handle more than 60 million tax returns on last year's income.

But funds also are flowing out of U.S. Treasury into taxpayers' pockets.

It's refund time for an estimated 38 million Americans. They'll divide approximately $5 billion among them. Average refund is expected to come to about $131.

Refunds last year averaged $124. Figure is going up steadily, rising from $114 two years ago, $111 three years ago.



Many corporations also will get refunds from overpayment of taxes in the past year. About $900 million is estimated. Refunds for corporations amounted to $810 million last year.

Taxes go up without changing the rates.

This is happening now. It's what federal budgeteers are counting on to help boost revenues enough to balance next year's budget.

As pay goes up your tax bill rises faster.

Works like this:

Taxpayer No. 1—Suppose you earn $15,000 taxable income. You are married and file a joint return. If your income goes up $100 Uncle Sam will take $30 of it.

Taxpayer No. 2—Suppose you earn $20,000 straight income after deductions. Your pay is boosted $100. Uncle gets $34.

Taxpayer No. 3—Suppose your pay after deductions is $30,000. Federal taxes will take $47 out of your $100 pay boost.

Note: Third taxpayer earns twice as much as the first. But his total tax bill is more than two and a half times as high.

High taxes holding back national economic advancement?

Take a look at these comparisons and judge for yourself.

Total tax take in the late 1920's amounted to 15 per cent of national income.

In the 1940's it went up to 27 per cent.

Now 35 cents out of each national income dollar go to pay the cost of government.

See page 70 for analysis of the implications this has for business.

Federal pay standards for some managers you employ are going up.

Situation is this:

Some supervisors who get $80 a week or more are exempt from federal regulation under the Fair Labor Standards Act (wage-hour law).

For most administrative and professional employes the cutoff point is $95 a week.

Special provisions set cutoff at $125 for some other groups.

Now the U. S. Department of Labor is holding hearings to determine what new minimum salary yardsticks to impose for white-collar personnel you want to keep exempt from the wage-hour law.

Prediction:

New higher pay standards—reflecting the general increase in white-collar pay levels during the past three to four years—will be put in force in six to 12 months.

Pay is going up for most Americans.

That's average indicated by projections of

personal income trends. Look at wages and salaries corporations are paying.

Total will rise to an estimated $200 billion this year.

That's more than double the wages paid in 1950.

Chart shows wages and salaries for corporate personnel only. Employes of government, noncorporate businesses, the self-employed, and others also will get more.



Add other billions in the form of higher personal interest income, dividends, rental income, the incomes of farmers and business and professional people.

Total personal income of all Americans is expected to reach approximately $450 billion this year.

It was $417 billion last year.

Hard bargaining by employers is heading for a test before the National Labor Relations Board.

Issue comes up in two cases in which unions charge that stubborn employers were not bargaining in good faith—this in violation of the Taft-Hartley law.

In one case the trial examiner has ruled that the employer's refusal to yield from his original offer was against the law. In the other the trial examiner has not yet made his findings.

What puzzles management:

Taft-Hartley Act specifically states that good faith bargaining doesn't require that either party must make a concession to the other or even reach agreement.

In addition, Labor Secretary Arthur Goldberg has said that both employers and unions should be hardheaded at the bargaining table.

Now comes the charge that two companies are bargaining hard in violation of federal law.

There's new hope that progress can be made in reducing cushy work practices imposed on management by unions.

Presidential commission recommends some featherbedding jobs be eliminated or modified on railroads.

Railroad Commission's report is the second from a government panel in recent months to recommend a reduction in the size of work crews. Presidential Airline Commission earlier recommended elimination of fourth man in the cockpit of jet aircraft.

What's next?

A proposal in Congress would deal with featherbedding problem by making it unlawful for a union to interfere with production, restrict the number of persons entering a trade, control prices or impose featherbedding practices.

Chances for passage?

They're improving.

Congress already has outlawed Musicians Union demand that radio stations pay for standby musicians, for recorded music and for employment of studio personnel not needed.

Congress also amended another law to make it illegal for New York Teamsters to insist that trucks entering the city take on a local driver and hire a local union member to help unload the truck.

WASHINGTON **BUSINESS OUTLOOK**

Another presidential commission currently is considering demands of tugboat operators in New York harbor that the size of crews be reduced.

Total impact of automation—good or bad? Are jobs being eliminated—or created?

Specialists tell Nation's Business that many thousands of new jobs are created by automation, hundreds of new businesses established because of it.

Yet the debate goes on. Many union officials fear automation, plan their strategy with fear in mind.

On page 40 is a penetrating disclosure of newest information available that'll bring you up to date on big trends in automation, tell you where we're headed.

Don't let statistics throw you for a planning loss.

Business currently is a lot better than some statistics show.

Example:

As January information began rolling into Washington bureaus and agencies it became apparent that some business decline was in the making—possibly.

A few economists sent up a howl.

Housing tells why.

Some 84,000 housing units were started in January. Number in December was 87,400.

That illustrates the kind of decline that caused the stir.

But don't ditch your business plans on the basis of incomplete information.

Commerce Secretary Luther Hodges says:

"One frosty night doesn't freeze the pond."

There's no reason to think our upturn is coming to an end.

Look at the big picture. Housing starts a year ago were 72,500.

That's a good increase, not a decline.

For privately owned housing—leaving government construction out—the increase is a whopping 17 per cent.

This reflects the longer term trend.

For the year as a whole builders are expecting to start construction of 200,000 more new homes than last year.

What happened in January hinted a false economic turn. February statistics were a little better.

Information coming into Washington from around the country on work started since the winter lag indicates the longer term uptrend is the better estimate.

Summary: Ahead is the best business year on record.

Business problems? Yes, there are some. But there's no over-all lull yet in sight.

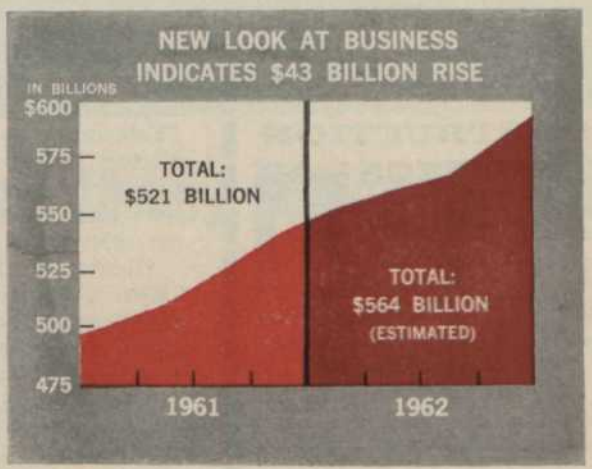
Look for total business volume to advance about $43 billion this year.

That puts total value of all goods and services to be produced in the U. S. this year at about $564 billion.

Compares with $521 billion last year.

Chart shows advancement trends from beginning of last year—when current upturn began—to end of this year.

Annual rate for total production is expected to reach $600 billion in about a year.



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Business opinion:

Labor costs blamed for farm price problems

IN YOUR editorial, "The Problem is Progress," [January] your conclusion is to withdraw the government price supports of farm crops and allow the farmer to make the right guess on how much to plant and what crops he might grow to return a profit.

There are some farming operations today which are making a profit, naturally, since almost all the markets for farm produce are supported, directly or indirectly.

The labor unions have become almost a part of the U. S. government and are completely supported in their programs to raise their wages by laws that protect them, even including violence. The high cost of everything the farmer grows is due to the burden of $3 an hour wages paid labor that makes the equipment he farms with. Moreover, there is a labor cost on everything produced on the farm.

I have operated a citrus fruit-packing plant over the years as a cash buyer and shipper, as well as a grower, and know that the high cost of processing a product for market determines the price to the wholesaler as well as the price paid the grower.

CLAY EVERHARD
Citraland Farms
Pharr, Tex.

Ingenuity at work

I was intrigued by your most appropriate selection of Admiral de Florez to write on "Ingenuity" [February] in the "Qualities of Victory" series—not only because of his known accomplishments but also as a result of personal exposure to his search for improvement.

During World War II, Admiral (then Captain) de Florez had a short assignment on the *USS Croatan*, a "jeep" carrier. His inquisitive mind took him to every corner of the ship and neither our captain nor any seaman knew when de Florez would peer over his shoulder with "What are you doing?" or "Why that way?"

He indicated particular interest in our hydraulic catapults—then a new design—and he could be found before, during and after each launching either in the catapult machinery room, the control station or handling some piece of flight deck equipment. This caused some mild extensions of our launching intervals, which were our performance criteria and for which I, as catapult officer, was responsible.

Finally, my petty officer asked for approval to use a new "check-off" list that he had revised to show, in addition to the routine checks on pressure, equipment, signals, etc., an additional precaution worded, "See that Captain de Florez is clear of the machinery."

Ingenuity is bred from such inquisitiveness, and inquisitive, ingenious men like Luis de Florez have made the greatness we have and they will continue to provide the foundations for our strengths and our future accomplishments.

J. M. DUNCAN
Manager, North Central Region
Allis-Chalmers Manufacturing Co.
Chicago, Ill.

FAA chief replies

Your editorial, "This is a Threat," [February] is based on the quote at the end, I suppose.

That sentence evolved from a conversation I had with a reporter after a speech in New York Dec. 20. In the course of the speech, I did extemporize and did speak the first sentence. Further, I acknowledge I did speak firmly. The reporter asked me later if my remarks were a threat and I, thinking in terms relative to what I said, answered that one could take it that way. So this "threat" quote emerged. I was not pleased when I saw it, of course, because it is simply not the way I talk or think and my record, both in business and government, makes that clear.

Part of my job as Administrator of the Federal Aviation Agency is managing the development and operation of Washington's new international airport. This isn't optional. Since I have that responsibility, I intend to see that the $105 million investment the nation has in the airport is protected. The



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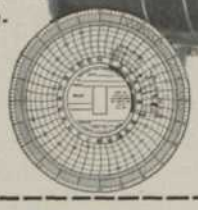
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Business opinion:

completion date had already slipped a couple of years when I took office and it was obvious that it was going to slip further unless decisions were made. One of the worst log jams was space allocation inside the terminal building—getting the airlines to tell us their wishes and requirements so we could go forward with interior construction. I asked them to tell us or we would go ahead and finish the building without their cooperation and they would just have to use whatever we put in and get whatever space and whatever positions we assigned to them.

The notion that the airlines which will use this airport couldn't know what their space requirements were before we reached an agreement on rental fees is ridiculous. I know that the price often has a bearing on the quantity a given buyer might want, but this is hardly the case with the airlines considering space in the nation's newest and best airport. I might add that the airlines have since cooperated, decisions have been made and space is now oversubscribed. Their problem is and always has been—except for negotiating purposes—getting enough space.

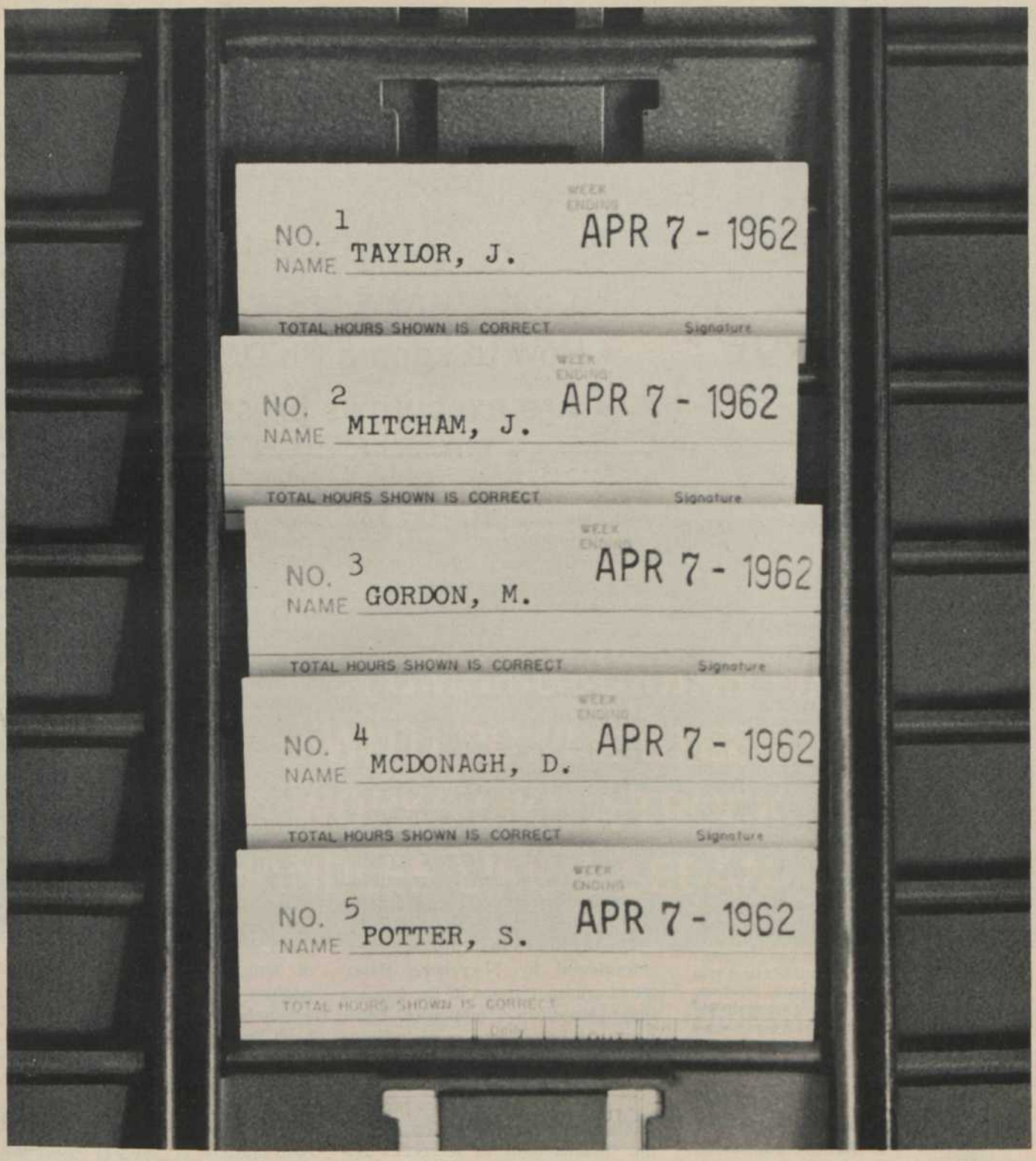
The last point I would like to make with you is that we have introduced, and are very much for, the National Capital Airports Corporation bill which would turn management responsibility of Washington National and the new international field over to a general manager rather than the FAA Administrator. The bill also provides for an advisory board to give the general manager business-policy guidance. Obviously this is a far better arrangement than the one we have now. But until it is changed, my responsibilities are clear.

N. E. HALABY
Administrator
Federal Aviation Agency
Washington, D. C.

Your editorial, "This Is A Threat," in the February issue is one that every businessman and citizen should read and reflect on. For that reason I would like your permission to reproduce the editorial, with full credit to you, in the next issue of the *Modern Builder* magazine.

EUGENE C. AMEY
Editor
The Modern Builder
Kansas City, Mo.

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Inflation and rising labor costs make your taxes grow.

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The nation's health depends on modern sanitation. As we become more urbanized, we become more dependent on the protection our sewers give us.

But this costs money. It's money well spent if your city gets protection that lasts. If not, you can be trapped by inflation and rising labor costs again and again to repair sewers that should have lasted indefinitely.

The only way to make sure your city is getting this kind of economical, long-time protection is to insist on sewer lines built of Lifetime Vitrified Clay Pipe.

Gases and acids are present in all sewer lines and eat up cheap substitutes for Lifetime Vitrified Clay Pipe.

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Executive Trends

- Quality—new crisis in business
- How to keep a Ph.D. productive
- Are executives pressure-proof?

Quality could be the key word in your future.

Management authorities agree that in the years ahead competitive pressures will severely tax each organization's capacity to perform at its peak.

For you—as an individual—this means that nothing less than your best effort will suffice. It means, too, that there will be no margin for lax or shoddy work by anyone at any level in your company.

The need for excellence will perhaps be tested most critically in the area of product quality and reliability. Choosier buying by consumers and increased competition from foreign imports are forcing the issue.

Quality and reliability engineers interviewed by NATION'S BUSINESS are unanimous in the opinion that American companies must turn out better and more reliable products or suffer the consequences of lost sales.

The crucial nature of the product problem was bluntly put by a leading businessman in a recent address: "In my experience . . . I find it difficult to find any high-quality goods in consumer products. I think that we are in grave danger of losing what we had many years ago, when our artisans took personal pride in the reliability and quality of their product. . . ."

• • •

What's needed to build an effective system of quality control?

Kenneth E. Cochran, chief of the Reliability and Engineering Division of Battelle Memorial Institute, says insuring high product quality is basically "management's responsibility . . . management must set the pace."

Other men who have been closely following the quality challenge share Mr. Cochran's view. A consensus produces this fundamental prescription:

1. Management should establish a quality philosophy, set quality targets, and then organize to hit those targets.

2. Management must make sure that it gets its quality philosophy across to employes.

The latter seems to be the point where trouble most often arises. Frequently rank and file workers don't get the word, or feel a sense of nonparticipation which works against the goal. To combat this, a number of major firms recently have initiated company-wide programs designed to help all employes see the importance of quality control and product reliability. While the approach and method of such programs differs somewhat from firm to firm, it's a general trend that's likely to grow. [See page 48.]

• • •

Some of the technical talent you've been hiring may need new inspiration.

In recent years the air has been full of cries for scientists and engineers, and studies have been made of how to make the research-type Ph.D. feel at home in his lab or office so that he can unlimber



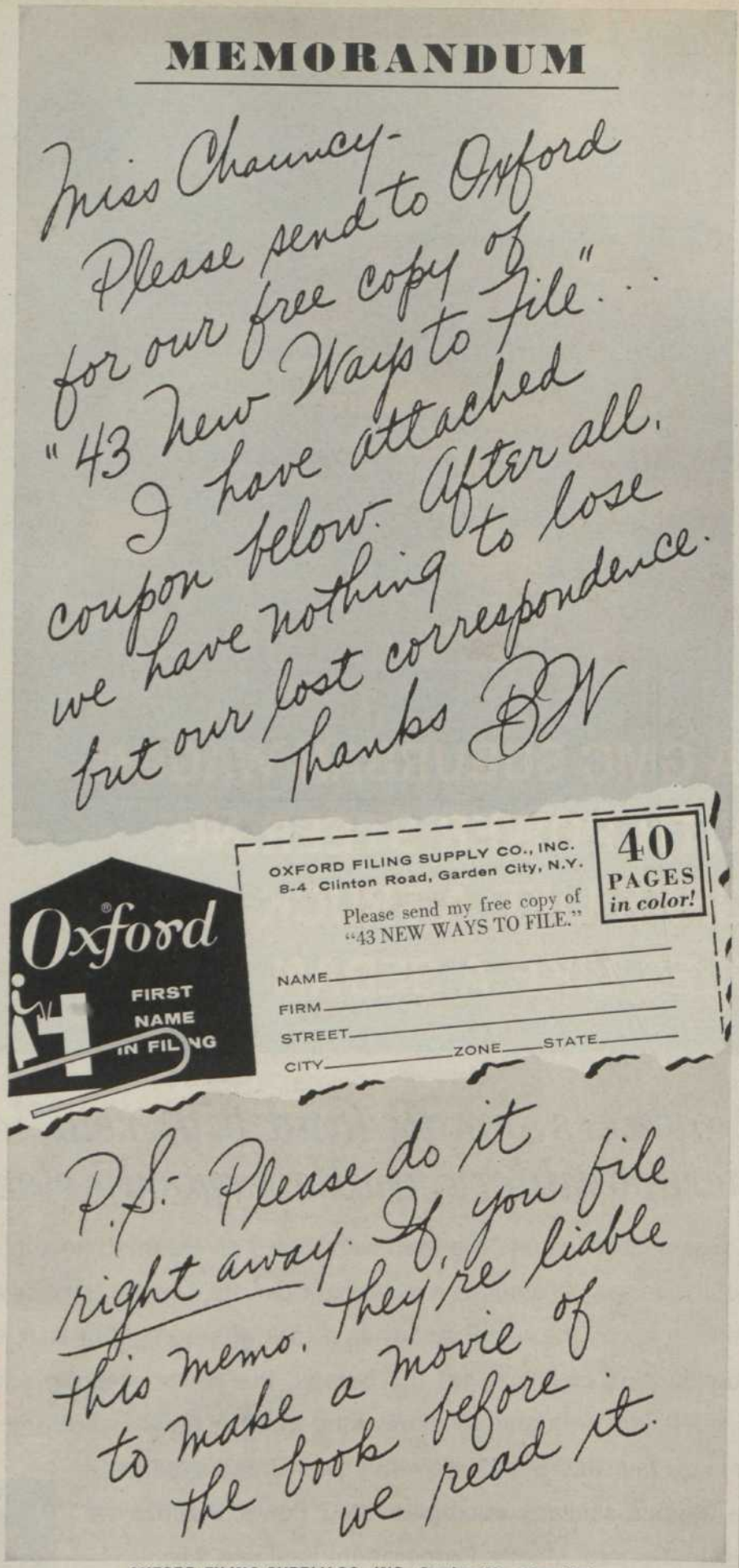
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EXECUTIVE TRENDS

continued

his brain cells and produce the most profitable ideas. The accent has been on what business can do to accommodate the specialist.

Now there are tangible signs that the tide is turning. At a recent closed-door management seminar five research officials from companies in five different industries reported they were concerned that some of their personnel had grown smug and unproductive.

A consultant who met with this group advised them to follow some or all of these steps:

1. Be more selective in hiring: "While scientists and engineers are in short supply in many fields, you don't have to hire the first man with a degree who comes along. Check carefully into a candidate's background, including his academic record. Make sure he showed proof of being energetic, inquisitive, ambitious."

2. Try reshuffling R & D personnel: "Sometimes scientists and engineers grow dull simply because they spend too much time in the same group. Mixing up your team can bring individuals into contact with new people and new ideas and stimulate their thinking."

3. Try giving researchers line authority: "Sometimes giving a man interim authority over a project will make him see the importance of work geared to results and help him to achieve a new perspective."

• • •

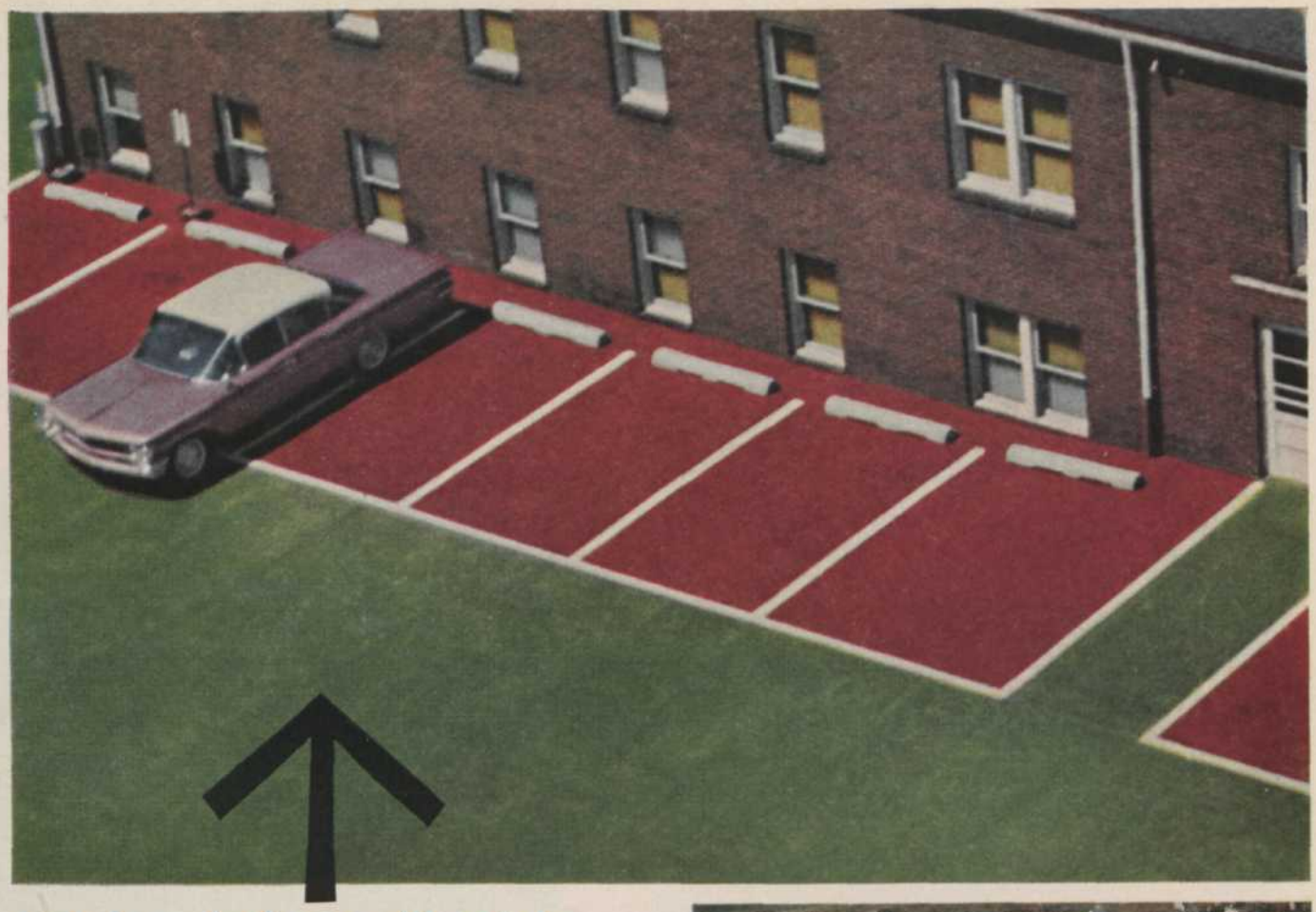
Business executives as a group bear up better under the stresses of life than lower-echelon workers.

This is the view of Dr. Robert Turfboer, New Haven, Conn., psychiatrist who serves as consultant on mental health to a number of companies.

Dr. Turfboer says the "ego strength" which gives a man the drive to advance in business in the first place also helps him to stand up under pressure. He says training seminars serve as an important aid to maintaining executive mental health, since many seminars enable participants to talk out their problems with men in similar situations.

Use of psychiatrists in industry

(continued on page 23)



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In 1960, the immediate blacktop parking area of the Akron Baptist Temple, home of the world's largest Sunday School, was sealed with Al-Chroma Colored Aluminum Blacktop Sealer. Shown above is the area today.

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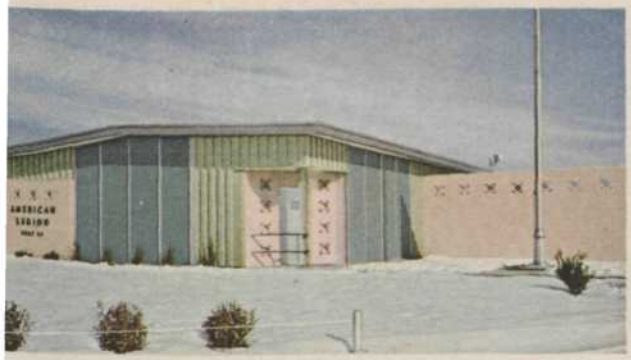
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Entrance area of Plaza Lanes, Dayton, Ohio. Decorative wall treatment on this impressive Butler building combines factory-insulated Monopanl and colored block. Architect: J. E. Holland, A.I.A., Akron.



Under construction, Diplomatic Center Apartments, Daytona Beach, Florida. Owner, Chardon Theatre Enterprises Investment Corp., Gary E. Smith, President. Butler Monopanl® curtain wall proved most economical here. Architect, W. K. Smith, Jr., A.I.A., Ormond Beach.



Offices and plant of the Regis Corporation, Elm Grove, Wisconsin. Both buildings are standard Butler construction, combining high-quality Butler curtain walls: factory-insulated Monopanl and Modular Wall.



Self-service restaurant in Dayton, Ohio, first of 100 Butler buildings to be built for Nelson Food Service, Inc., of Detroit, Mich. Design copyright by J. J. Dues, Dayton. Architect, J. E. Holland, A.I.A., Akron, Ohio.



240,000 square-foot, Galesburg, Illinois offices and plant of The Gates Rubber Company, one of America's largest manufacturers of belts and industrial hose. Butler's contribution to this modern facility consisted of the structural system, Monopanl curtain walls, and the translucent, plastic panel used as roof lighting. Consulting engineers: Structural Engineers Inc., Denver.

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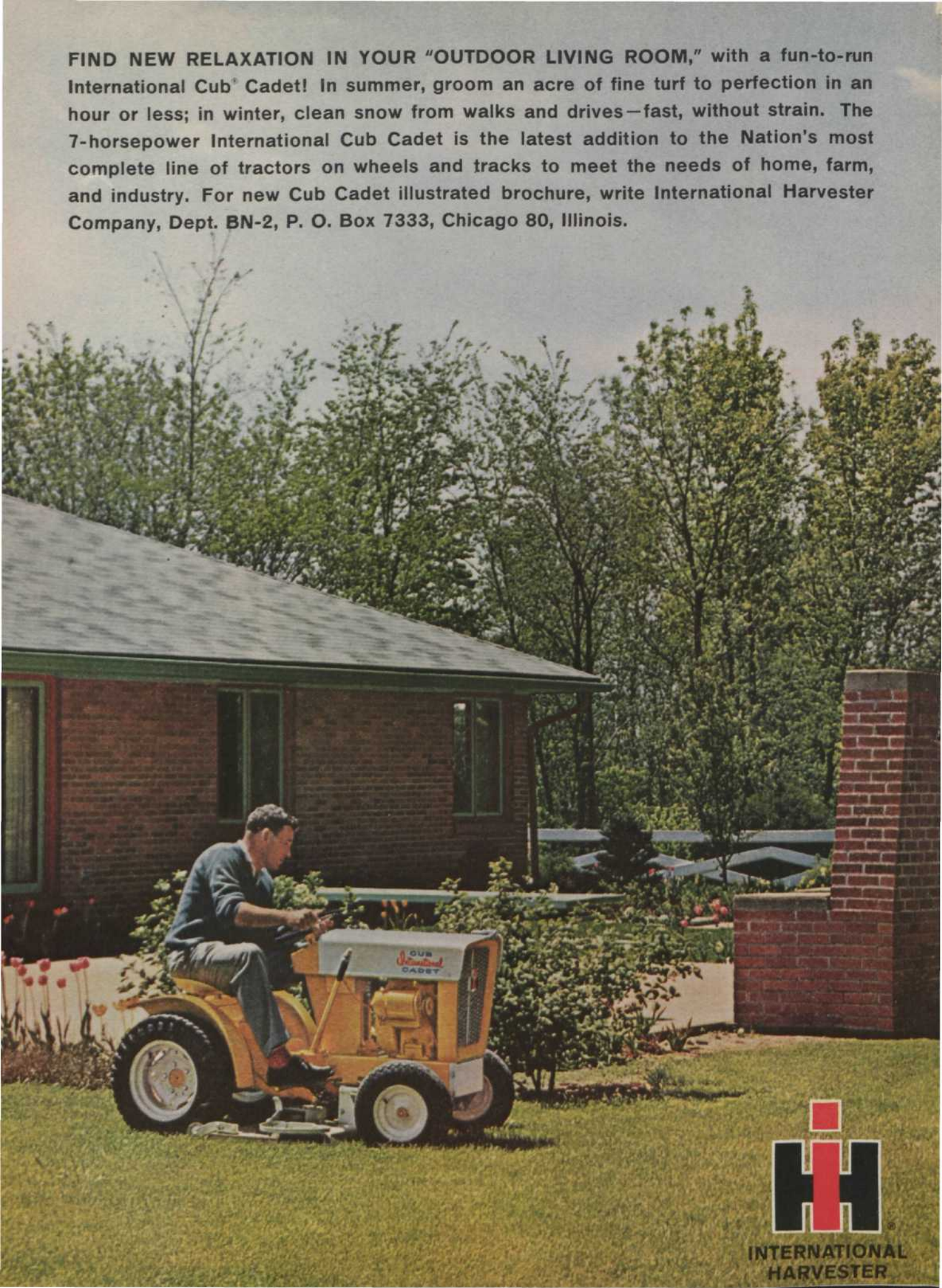
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INTERNATIONAL HARVESTER

is growing. Several hundred psychiatrists specialize in industrial work, although only a few handle business assignments on a full-time basis.

• • •

Compensation plans for Americans sent abroad to work in U. S.-owned business operations have at least four common elements, says U. E. Landauer, senior associate with Cresap, McCormick & Paget, management consultants.

In a recent address before a meeting sponsored by the American Management Association Mr. Landauer listed these elements:

First, a base salary which reflects the responsibilities of the position and its worth to the company.

Second, an overseas premium which is an incentive to live abroad and compensates for the sacrifices and possible hardships involved.

Third, an allowance to compensate the employe for higher living and other costs.

Fourth, fringe benefits and personnel practices which reflect the special conditions inherent in an overseas assignment.

Item: The most commonly used measurements of living costs abroad are indices compiled by the U. S. State Department.

Mr. Landauer points out that such indices are available without charge and cover almost every foreign city and town to which an American employe might be sent by his company.

• • •

Which state produces the most executives for business, government and the military?

Answer: New York.

This is one finding in studies of the education and background of more than 20,000 executives. The studies were directed by Prof. W. Lloyd Warner of Michigan State University.

They disclosed that the Middle Atlantic States produce more executives than any other region.

Second is the East North Central area, led by Illinois. This area was followed by the West North Central region and the South Atlantic states.



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Administration shuns Far Right and Far Left; candidates can't

BY MERRIMAN SMITH

IN ADDITION TO space heroes and nuclear testing, Washington has another cause for preoccupation these days—the so-called Far Right, a rather elastic label for a new group of social revolutionaries who fear the engulfment of their beloved land by a wave of alien treachery.

These are unusually comfortable revolutionaries as attempted political upheavals go. They do not picket in the cold rain before the White House, but meet in moderately comfortable halls and listen to well dressed speakers. The oratory is fearful and denunciatory. Their pamphlets are printed clearly and neatly, not the smudged stuff of the lower class revolutionary who doesn't know where his next soapbox is coming from.

Their coloration is intensely red, white and blue as they equate their brand of fierce patriotism with the policies and power needed to solve virtually all of our problems, national and international. Sincerely worried about the constant Soviet challenge to the world position and well-being of the United States, leaders of the Far Right seem to attract increasing followers who would have us somehow move back in time to an era when Russia was not so menacing.

These people were regarded for a time by top politicians of both parties with an air of pained patience normally reserved for vegetarians, single-taxers and prohibitionists. But this attitude may have to change for some candidates in the autumn congressional and gubernatorial campaigns, particularly where the Far Right folks begin to bunch up in certain key voting districts.

This year's office-seeker may find it difficult to determine with any precision what the Far Right is, what it wants, what it stands for. This is understandable since Far Righters sometimes ask themselves the same questions.

To begin with, the Far Right is proliferous and splintery with divisions and segments intensely competitive in the business of saving the nation, but firmly allied against the common foe—the enemy within. The practitioners also seem bound together by a basic operating rule: if you disagree with them, you're a communist or headed in that direction.

Maj. Gen. Edwin Walker, a clearly visible and audible Far Righter now operating out of Texas, had trouble with the Army over the manner in which he sought to indoctrinate his troops against communism. General Walker says, "Every American should draw a line—and I mean actually draw a line. You're either on the right side of that line, what is right, or you're on the wrong side."

• • •

In his second inaugural address, Abraham Lincoln said, "With firmness in the right, as God gives us to see the right, let us strive to finish the work we are in." In the same passage, Lincoln also said something about malice, but this is not included here so that we might view the political horizon without the smog of emotional involvement.

Sen. Barry Goldwater, the Arizona Republican, would be regarded by Americans for Democratic Action as being to the Far Right, and if possible, even beyond that. On the other hand, the Far Right regards Senator Goldwater as too close to center.

The Far Right demands abandonment of the UN and NATO; repeal of the personal income tax; impeachment of Chief Justice Earl Warren, and a rigid belief that the communist dupes in this country stretch from General Eisenhower to Nelson Rockefeller. Furthermore, the entire federal establishment, when viewed from the Far Right, is a sorry mess of communism with spies and infiltrators virtually running, or at least controlling the show.

However sincere this fear of communist control may be, it undoubtedly comes as something of a shock to Nikita S. Khrushchev who may wonder why he must continue to spend so many rubles on espionage. This is supposed popularly to be one reason Khrushchev was willing to trade U-2 pilot Gary Powers for the Russian professional spy, Col. Rudolph Abel. Perhaps Khrushchev wanted to know, if the

Merriman Smith is the White House reporter for United Press International.

communists had great influence within the American government, why Abel had to spend so much money before he was caught? Also, if General Eisenhower was a communist tool, who let him send those U-2 flights over Russia for four years? And if the President is soft on communism, why does he order resumption of nuclear testing in the atmosphere?

The people of the Far Right, except for the hopelessly emotional, must realize that many of their accusations are, at best, largely allegorical. This does not reduce their convictions, nor should it militate against their privilege to feel as they do.

Many will disagree, but some of the more stable veterans of Washington politics realize there is a useful and valid place in our national spectrum for the blazing lights of political extremism. The rants and chants of the Far Left and the Far Right serve as warnings of thin ice for the larger body of Republicans and Democrats.

The incredible omnipotence and rock-ribbed conviction of the more lavish spokesmen for the Far Right serve to point up the same sort of ideological blindness on the Far Left. Probably nowhere in our national life is there more virulent bigotry and downright intolerance than among extreme liberals in their disdain for the split-level, station wagon squares who make up the great center of America. To disagree with this crowd is to affiliate with the John Birch Society or certainly head in that direction.

Thus an interesting situation shapes up this spring. The population seems to be growing around the north and south poles of American politics. And a restless lot they are. Politically poles apart, they are united loosely in their dislike and distrust of the present. Each extreme is bothered by the lack of heavyweight, sympathetic national leadership.

President Kennedy and ranking Democrats who think along his lines are regarded by the distant liberals as too conservative, too much toward the center. Leading Republicans in and out of Congress, including former Vice President Richard M. Nixon, seek to discourage militant loudmouths of the Far Right from hanging around their camps, offering not only to enlist but command as well.

• • •

The Republicans, however, are happy about what seems to be a detectable upsurge in conservatism, particularly among the younger people. But with President Kennedy hewing to something less than the ADA line, the Republicans have a problem. They cannot assume that the younger conservatives will troop automatically into the G. O. P. fold. With the center line of American politics seeming to bend slowly to the left with the years, today's conservative may have the beliefs of yesterday's New Dealer.

As the old Socialist, Norman Thomas, said many times in relatively recent years, certain planks of the 1956 and 1960 Republican platforms would have been regarded as wildly radical if he had espoused them in the late 'Thirties.

President Kennedy has taken several pokes at the Far Right, as have Messrs. Nixon, Rockefeller and Eisenhower. Attractive as the target may be, however, the major officeholders and political leaders cannot devote too much attention and time to this sort of fringe opposition largely because the Far Right strength is too scattered. The same loftiness may be more difficult for the congressional candidate who finds a sizable pocket of superpatriots in his district. He must take them into consideration, measure them and then decide what to do.

• • •

The growth of political extremism, if growth there be and not merely carnival attraction, may add in time to the problems of the national Administration as President Kennedy attempts to keep the country on a barely-short-of-war footing while dealing in powerful strength at the same time with Khrushchev who has his own equivalent of the Far Right to contend with, the Red Chinese.

President Kennedy feels there must be a dual approach to Russia—the resumption of nuclear testing which the Far Left in this country cries and pickets against as odiously militaristic; the maintenance of communications with the Soviet Union through a variety of social, cultural and political exchanges, all of which the Far Right regards as subversive.

Therefore, in the coming weeks of what might be new peaks of tension in the cold war, the President



Extremists, right and left, distrust the present, increase problems of the national administration

may be expected to be less than receptive to arguments of the polar political factions, including the Far Liberals who supported him in 1960.

H. L. Mencken wrote in 1933 of "that right to be wrong which Liberals demand for all men." When Lincoln spoke of "the right, as God gives us to see the right," he spoke obviously of justice and good, and not, as the dictionary says, political opinion approaching the reactionary position.

Congress and elections aside, Mr. Kennedy for the time being must ignore the right referred to by Mencken, as well as General Walker. The President must be right in a thermonuclear world where the ordinary privilege of being wrong, if exercised, could dispose of our problems quite permanently. His right must be that of Lincoln and the Lord.



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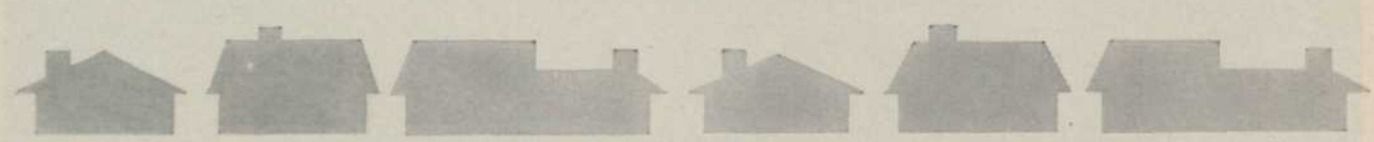
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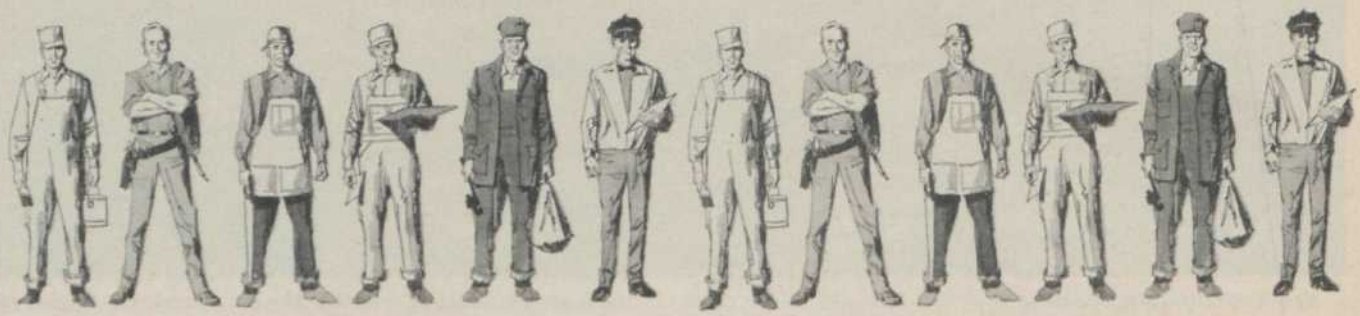
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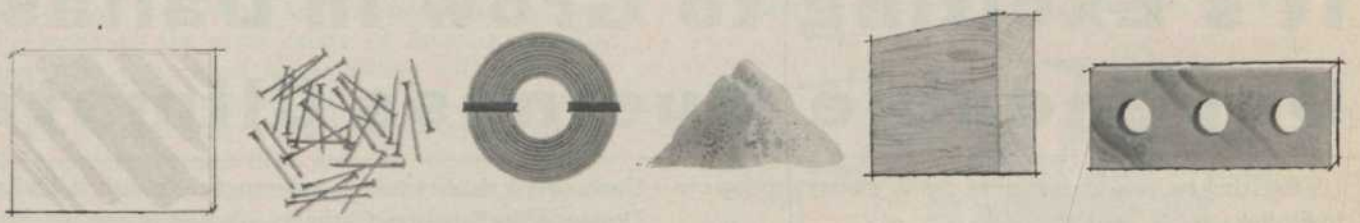
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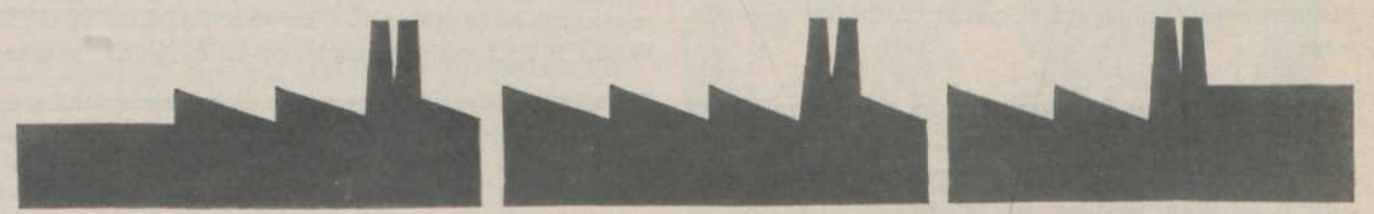
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Population growth is key to foreign aid success

BY FELIX MORLEY

MOST ADULT AMERICANS, and certainly those who were born before the first World War, grew up to regard population increase as something intrinsically desirable. More people, it was thought, necessarily bring to their community more wealth, more power and more prestige. I clearly remember the feeling of humiliation in my home city of Baltimore when the Census of 1910 revealed that Cleveland had for the first time forged ahead of it by a few thousand inhabitants.

In spite of the problems of congestion, a good deal of this attitude still remains. Florida, California and the southwestern states, where continued rapid growth is forecast throughout the 1960's, are for that reason alone regarded as regions of great promise. States where population is declining or stationary are considered "depressed." The words we use are indicative of the way we feel: Population growth is expansion; its absence is contraction.

Because of this optimistic view we are as yet only dimly aware that in many parts of the world the informed attitude on population increase is exactly the opposite. Those countries growing most rapidly in numbers are often the most backward in living standards; those where population is almost static are usually the more advanced. India is an outstanding example of the former situation. In numbers it is increasing more than twice as fast as the United States and nothing causes its leaders more apprehension. "Population control will not solve all our problems," says Prime Minister Nehru, "but other problems will not be solved without it."

• • •

Whether population increase is viewed as good or bad depends, fundamentally, on the simultaneous rate of change in the value of goods produced and services rendered. If per capita wealth mounts by eight per cent while numbers are climbing four per cent, the enlarged community will clearly be better off. But if the growth in productivity falls behind the rate of population increase, the general condition will necessarily be one of greater poverty.

During a period of rapid population increase, in other words, a nation must work harder, even to stand still. The point is suggested by William Vogt, the conservationist, in a recent book entitled, "People." The great Aswan Dam now building in Egypt, he says, will bring no net gain in the struggle against undernourishment there. Food produced on the desert acreage that will be irrigated "will be just about consumed by the increased population expected during its construction."

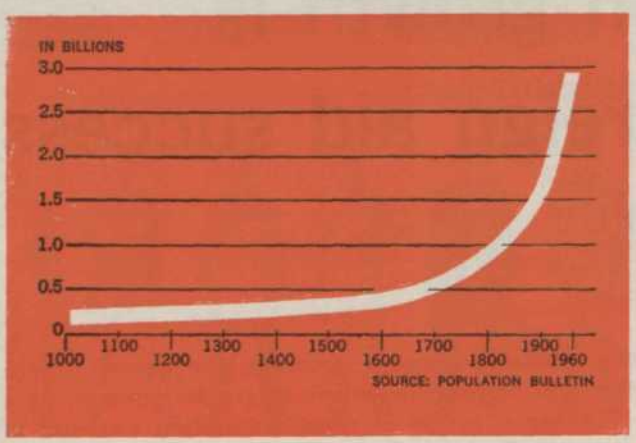


High birth rate in developing countries will result in poverty if productivity fails to grow at matching rate

The question of whether food supply will continue to mount faster than the mouths that consume it was first given serious study by the English economist Thomas Robert Malthus. His famous "Essay on the Principle of Population" was published in 1798. This Malthusian Doctrine—that population growth portends eventual mass starvation—was at the time widely believed, but seemed to be falsified as sci-

entific farming developed. The major agricultural problem in the United States today is how to curtail surplus food production—just the opposite of that which worried Malthus.

It is to be remembered, however, that Malthus wrote as the population curve was just beginning to mount rapidly (see chart) because of the augmenta-



Record of world's population rise since the year 1000 shows largest increase occurred in past two centuries

tion of wealth produced by the industrial revolution. He did not realize that unpredictable scientific advances would also soon be utilized in food production. Malthus foresaw neither the great mechanized farms of today, nor refrigeration, nor the speed with which food can now be processed and transported.

Because human vision is always limited, one must similarly discount the cries of those neo-Malthusians who today assert that "the population bomb" is destined to "destroy civilization as we know it." The zooming population growth, now estimated at 140,000 a day for the world as a whole, certainly raises terrific problems. But the picture should always be seen in balance. Aside from undeveloped land, mankind has as yet only skimmed the surface of resources in the sea. And exploration of those outside our atmosphere has only just begun.

• • •

There is, indeed, positive good, as well as potential disaster, in present population pressures. They provide the challenge always necessary to make men solve their individual or collective problems. Just a generation ago, one recalls, our then Secretary of the Interior was gloomily announcing approaching exhaustion of North American oil reserves. Yet present oversupply is holding back the development of an Alberta field which by itself is estimated to contain five times as much oil as has been used in the United States since 1895. Time and again the prophets of doom have been revealed as forgetting that necessity is the mother of invention.

Exaggeration has its points. Alarmists who say we may have to stand on each other's heads do make us think about the problems now actually arising from congestion. And we must admit that present overcrowding of facilities such as city streets, schools and hospitals is a primary reason for Washington's drive to extend its authority over functions that are local responsibilities under our theory of government. If the trend toward socialism is strong here it is not surprising to find it dominant in more crowded countries, with little or no tradition of decentralization.

The problem, however, is not likely to be solved by governmental action. Its cause is the medical breakthrough which is curtailing infant mortality and prolonging adult life in a truly phenomenal manner. Nobody can have anything but admiration for the achievements which now permit the population curve to soar upward on an almost perpendicular line. But they will be a dubious blessing unless the birth rate, certainly in poor countries, declines proportionately.

Official information, moreover, as a matter of policy tends to conceal even the nature of the population problem. It is not so much the absolute increase of numbers, for there is still far more than standing room for all. It is rather, as already noted, the relationship between increasing population and increasing productivity. When the latter exceeds the former, the problem, if not solved, is at least kept within bounds. But when its population growth outpaces its productivity a country is in serious difficulties, no matter how much living space is still available.

In regard to foreign aid, the key question is whether the productivity of the recipient countries is going up faster than their respective birth rates. Yet reliable data on this basic point must be laboriously pieced together. In such countries as Guatemala or Honduras, where population is mounting three per cent or more annually, it is virtually certain that American grants are stimulating fecundity more than fabrication. Where this is the case, foreign aid can only serve to encourage what the Department of State calls "the revolution of rising expectations."

Even in our own country, for which the necessary statistics are not concealed, the race between population and productivity is too close for comfort. In recent years the former has been mounting at a rate of slightly more than 1.5 per cent annually; the latter (measured in constant dollars) at slightly under three per cent. The margin available for per capita improvement is thus little more than one per cent a year. Where it is larger for some it must be even less for others.

In a recent interview George Ball, Undersecretary of State for Economic Affairs, explained that people in dormant countries "feel that they are entitled to enjoy the kind of rich life which the people in the industrialized, economically advanced countries enjoy, and they are going to get it." But nobody can get what doesn't exist; and nobody can hope to hold what is consumed faster than it is produced.

So the population and productivity problems go hand in hand. One cannot even be discussed intelligently without the other. And there is certainly no solution in ignoring both, as spokesmen for the State Department sometimes tend to do.



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UNIONS' FOREIGN POLICY: RAISE OVERSEAS WAGES

Aims are to support liberal trade policy and strengthen bargaining power in U. S.

AMERICAN UNIONS are spearheading a drive through international labor organizations to increase their bargaining power with U. S. employers as well as help less privileged workers in foreign countries.

They are trying to build strong unions in countries which lack them, strengthen international union cooperation, and raise wage and employe benefit standards where they lag.

Main objectives of the unions' foreign policy:

▶ Help narrow the current wage gap, which President Kennedy urges as part of his more liberal trade program which most of organized labor and most business groups are supporting.

▶ Protect American labor standards and jobs by minimizing the advantages of lower foreign wages in international trade and reducing the incentive for U. S. business to invest overseas.

▶ Impose on American industry the more liberal fringe benefits enjoyed by some foreign workers. Many of these are required by law and compensate for lower wage levels.

▶ Improve the welfare of workers in the free world while at the same time helping fight communism and preserving our way of life.

Almost every important union is increasing its foreign activities and assigning officers full time to them. Many U. S. businessmen will find that this trend directly affects their union relations at home. International union cooperation can be a two-way street in many ways.

Our unions help those in underdeveloped countries by training some of their leaders, paying union organizers, and helping the unions bargain with employers.

Foreign unions in turn may take action against U. S. corporations doing business inside their borders when an American union having some grievance against the corporation requests them to do so.

Information obtained about a corporation's operation abroad is sometimes used in bargaining with the employer in this country.

International labor organizations are establishing clearing houses for employment information on major employers in an industry to induce standardization, lessen competition and discourage movement of industry between countries.

International standards

The big push right now is to set international fair-labor standards in the production of goods for foreign trade. Both the Democratic and Republican Party platforms urge it. The AFL-CIO and affiliated unions are pushing it. International labor groups want it.

The idea is credited to Walter P. Reuther, president of the United Automobile Workers, who got the International Metalworkers' Federation to endorse it.

He views it as the positive approach to coping with unfair wage competition in trade and preferable to raising tariffs.

"We have the challenge not to be victimized by an economic rat race in which international capital makes one group of workers compete with the other and capital competes for the world markets on the basis of who can live on the lowest standard of living," Mr. Reuther told union delegates from 32 countries at the Metalworkers' meeting in Rome.

"Let us reverse the process. Let us get some positive leverage so that the strong can help the weak,

so that the high-wage areas can help raise the wages of the low-wage areas."

Mr. Reuther says he does not believe that wages, working hours and fringe benefits can be equalized between countries.

"There will always be discrepancies," he points out, "because of the greater economic resources that one country possesses as compared with another.

"What we need to do is to get a relationship of wages, hours and fringe benefits of such a kind that we can live with so that we can manage, and within that framework integrate the free world's economic structure, and raise the living standards of all the people."

Asserting that American employers often cite foreign competition as an argument against raising wages, Mr. Reuther warns that, if the wages are held down and tariffs raised to meet the problem, employers in low-wage countries will tell their workers that they will have to accept lower wages so that their employer can pay the higher duty and still compete.

"Then," he says, "we get an economic rat race to see who can live on the least."

Rudolph Faupl of the International Association of Machinists, U. S. worker delegate to the International Labor Organization at Geneva, says:

"When we help our trade-union brothers overseas, we are also helping ourselves. We are insuring that exploitation of workers in other countries will not take our jobs and reduce our standards.

"Thus, by helping to increase the prosperity of workers in other countries, we will also be safeguarding our own welfare. This is the positive approach to international trade-union cooperation and solidarity."

Unions propose that enforcement of international fair-labor standards be handled under the General Agreement on Tariffs and Trade, with help from the ILO.

The Reuther resolution adopted by the International Metalworkers would permit unions and employers in member countries of the General Agreement on Tariffs and Trade to complain, through their government, of market disruption due to imports produced with labor costs which are substandard in either of two respects:

1. Total hourly labor costs of the exporting company are substantially below the average for the industry in that country, or

2. Both hourly and unit labor costs of the company are "unjustifiably below those of the same industry in the complaining country."

The kind of corrective action which might be taken if a country's labor standards were found to be substandard under the machinery proposed for GATT in the Reuther resolution has been suggested by Everett M. Kassalow, research director of the AFL-CIO Industrial Union Department, headed by Mr. Reuther.

"A whole variety of devices could be introduced to protect us from unfair exports," he told a Conference on World Trade sponsored by the Machinists Union. He mentioned two:

A country complained against might agree to raise wages over the next two or three years, or it might

Latin American union leaders are trained at institute in Front Royal, Va.





Gerard O'Keefe, right, and Ernest Lee greet national officers of Retail Clerks Union arriving from U. S. for world meeting at Lima, Peru

Victor Reuther of United Auto Workers, right, confers with Rupert Tello of International Confederation of Free Trade Unions at meeting in Brussels



agree to limit exports to the complaining country for the next three to five years while both countries make adjustments.

Mr. Kassalow indicated that an underlying objective of the fair-labor standards is to insure that the workers in the exporting country are getting a fair share of the benefits realized from increased exports resulting from the lower tariff barriers.

The direct effect the proposed GATT complaint machinery could have on union-management relations in the United States is revealed in a comment of United Steelworkers officials who call it "a useful tool."

If it were adopted and the American steel industry this year again raised the issue of foreign competition, USW leaders feel they would be in a position to say to steel management:

"All right, you say that because of low wages abroad you cannot grant wage increases to American steel workers. We challenge you, therefore, to bring this charge before the appropriate agency; namely, GATT."

Representatives of the American steel industry would then meet with representatives of the steel industries of countries which export to the United States, USW leaders say, adding:

"The American steel industry will have to prove before an international tribunal that its allegations have substance. It will have to make available its own cost figures and compare them with those of competing steel industries. . . . It will end the foreign competition argument in steel."

The AFL-CIO thinks GATT should require member countries to submit reports annually on their labor standards.

Bert Seidman, AFL-CIO economist who specializes in trade problems, says this *(continued on page 94)*

U.S. PLANS TO BLOCK RIGHT TO PRODUCE

Dairyman tells how farm measure's rigid controls would stunt business

BY ERNEST L. HARRIS



The author, Ernest L. Harris, is a Kentucky-born dairyman and farmer. He is a former president of both the Oldham County Farm Bureau and Oldham County Milk Producers Federation.

Mr. Harris is now state Chairman of the Blueprint for Kentucky Agricultural Progress Committee, chairman of the Kentucky Farm Bureau Dairy Committee and a Director of the state Farm Bureau. He also is a member of the American Farm Bureau Dairy Advisory Committee.

LOUISVILLE, KY.—We have one purpose in our business: to make money.

We know we will succeed only if we produce a suitable product at the right price to attract buyers.

You know this is as true in your business as it is in mine.

But my business faces real trouble. Federal government planners are now pushing a massive new program to freeze production and dry up incentive.

If this program is enacted, we may end up with an unsuitable product at the wrong price.

I'm in the dairy business, a $10 billion dollar industry with operations in every state. Our particular farm covers 416 acres in Oldham County, just northeast of Louisville.

The government's new plan for rigidly controlling production in the dairy industry is part of a sweeping proposal for reshaping the whole farm economy over the next decade. U. S. Agriculture Secretary Orville Freeman and his fellow farm officials want to experiment with a theory they call by the high-sounding name of "managed abundance." My word for it is "regimentation."

You may have your own word for government controlled production and prices. The stated goals of the federal planners are most worth while: They say they aim to do two things: Cut in half the current $2.5 billion spending for farm price supports and other income-boosting schemes and raise farmers' income.

Their shock-treatment approach will surely be felt in many other parts of the U. S. economy, possibly including your own business.

For a number of reasons I'm convinced their farm plan won't work, if Congress should be talked into passing it. I hope the lawmakers will reject it flatly. But they will have to cut through the frosting Mr. Freeman has coated on his proposals.

He holds out the promise that under his program efficient farmers will be able to earn as much as people in other operations with similar resources and

energy. We've heard this promise before. It's developing a hollow sound.

I am active in farm and dairy organizations, and I make a point of keeping up with what the politicians are promoting. I'm not an alarmist, but I can see clearly what the new farm measure would mean to my own business.

What concerns me most is the long-range mandatory control plan for these surplus crops or commodities: wheat, feed grains, turkeys and dairy products.

I am aware of the dairy industry's problems of oversupply. I am aware of the awkward situation the government has got itself into through its subsidy program to support prices. The dairy industry is in a squeeze between rising production and falling consumption.

Because milk is so perishable and can't be stored, the federal subsidy program supports milk prices indirectly by buying manufactured dairy products, such as dry milk, butter and cheese. The rate of purchases has been soaring. Spending in the current fiscal year will reach $500 million, the Agriculture Department estimates.

This is a high enough figure to make even the government jittery. So Secretary Freeman is asking Congress to give him power to set quotas on milk producers based on what they produced in 1961 or some other period if he chooses.

This means he could set a limit on output, which would penalize growing businesses. As a dairyman under this program, the only way I could grow would be to find some other farmer who wanted to sell out and hope the government approves the sale.

Two-thirds of the commercial milk producers voting in a referendum would have to approve this rigid program to put it into effect. But here's the catch: If dairymen don't vote for the control program, Secretary Freeman can set dairy price supports at almost any level he decides from zero up to 90 per cent of parity, with a maximum total of $300 million to be spent by government. That's quite a drop from this year. Also a referendum tends to bring out those in favor of a program not those against it.

For most dairymen that would be a choice about like having a surgeon in the middle of an operation wake you and ask if you want him to finish or leave you opened up. Not that I'm for price supports. But since the government surgeons have got us opened up and dependent, they should eliminate these supports gradually until the free market forces of supply and demand will work.

Raising price supports just means lower prices and less income eventually because higher prices bring oversupply. I've seen it happen. Look at what occurred after the latest increase in dairy price supports. In 1960, the support price for 100 pounds of milk was $3.06. Secretary Freeman raised the support price to $3.40. The price I got for milk began to drop below the corresponding months of the previous year as production increased and oversupply forced the price in the market to drop. Finally, in December, 1961, I got a gross market price that was more than 10 per cent less per 100 pounds than I got for the same month in 1960 before the government had overstimulated production.

Of course, if the federal *(continued on page 66)*

"A businessman wants to make his own decisions. Government coercion is no way to move him"



PHOTOS: ARCHIE LIEBERMAN—BLACK STAR

YOU CAN SAVE EXTRA-VALUE DOLLARS

These suggestions will help you spot chances to make more money

A FEW HOURS with a sharp pencil can often generate as much money for a company as it might build up through several weeks of production and sales.

Today executives can't afford to concentrate only on putting out cheaper, or more, products and services. Company chiefs must make each dollar count—and some dollars can count for more than others.

Take a prosperous company making 10 per cent net profit after taxes. For every dollar brought in from sales only ten cents winds up as profit. A dollar trimmed from operating costs, however, can fatten the company bank account by almost 50 cents, and a dollar saved in taxes stays in the coffers at full value.

The problem facing most concerns is not to make more sales but to make more money. That's why, after a certain point, top executives and their staffs stand to make more for their companies by spending a few hours on trimming costs than they would by concentrating the same time on increasing sales.

For instance, an alert purchasing manager noticed that his company used six different suppliers for one staple item. By purchasing this item in quantity from one supplier he saved $100,000 in costs, and added $48,000 to after-tax profits.

Another company, by trimming inventory in outlying warehouses and supplying emergency demands for parts by air, released $2 million in frozen cash.

This kind of savings does not involve massive cost-cutting efforts, reorganizations or changes in company policy. Rather, it represents the kind of spot check that top-notch companies try to maintain constantly but which it is easy to let slip.

It is worth the time for any executive to disconnect his phone and have his secretary fend off callers while he picks up a pencil and goes over some of the possibilities for his company or department. At some stage he may want to call in a colleague or assistant to check out some of the figures or nail down certain facts, but the important thing is to make a beginning.

To start you off, here are some tips and highlights based on the experience of consultants, accounting firms, and individual companies.

Manufacturing is usually the most carefully pruned section of a company's cost area. As manufacturing and assembly operations become a lesser portion of the total cost of products, a growing share of company costs is being taken over by purchasing, inventory, maintenance and quality control.

One half of the money U. S. companies bring in through sales is almost immediately spent for outside goods and services. The amount a given company actually uses for purchases may vary from 15 per cent to 85 per cent of sales.

Six times out of ten, however, it's safe to bet that a company with $100 million in annual sales spends $40 million or more for purchases of various kinds. A company that shaves just one per cent from this expense cuts $400,000 from its costs.

Samuel Farmer, head of the American Management Association's purchasing division, reports that many companies have trimmed three per cent to five per cent from their annual purchasing bill for several years in a row and expect to continue to do so.

General Foods, Rockwell Standard Manufacturing Company, American Airlines, General Electric, and Borg-Warner are known in their industries for development of effective purchasing systems.

Some of these companies are understandably closemouthed.

"Right now we're beating the pants off our competition. There's just no point in explaining to them how we're doing it," said a purchasing vice president in refusing to speak in detail before a seminar which his competitors would attend.

Purchasing in most companies evolved as a necessary detail. Coordination of purchasing with manufacturing, engineering and sales has often come after, instead of before the fact, notes Albert F. Clear, a manufacturing specialist for Booz, Allen & Hamilton, Inc., management consulting firm.

"Study the materials requisitions and purchase orders processed in a typical plant. You'll find items ordered day after day in small quantities that run up clerical and shipping costs and take little advantage of price discounts through volume buying," says Mr. Clear.

Coordination of purchasing with engineering is often weak.

After careful search, design engineers for a hard goods manufac-

turer in the defense industry found a supplier of prototype components for an experimental antisubmarine system. When the prime researcher was awarded a production contract, its engineers proudly turned over to purchasing what they thought was a complete package, including a hand-picked supplier. However, the prime contractor now needed 100 units a month, and the supplier could produce only 10 at most. After costly delay a new supplier was found and expensively trained.

Sales planners can be equally forgetful of purchasing.

A home products manufacturer decided to go into production of Model-A, a light-blue version of a garden power tool. Just before the season started, the sales department decided to switch to a red and green version. The parts already in stock were painted blue; it cost $11,000 to change the colors.

Because they are so often regarded as after-the-fact order-takers, purchasing people may revert to a passive or even an apathetic role.

Asked what luck he was having getting extra volume discounts, the purchasing chief of a company buying $50 million of products a year replied that none was available. A look at his invoices, however, showed he wasn't even taking advantage of standard discounts.

This is an extreme case. More common are lapses from competitive bidding and the complacency that develops through long-term relationships with one supplier.

"Where old customers are quiescent and unquestioning, a supplier will naturally turn his attention and provide the 'extra' in discount and service to getting new business," says Kenneth Axelson, head of Peat, Marwick, Mitchell & Company's management services division.

In a few companies purchasing is evolving into a new kind of combination engineering, planning and contracting function. For most companies this development is still in the future, but even without massive revamping, a company can make any number of cost-cutting improvements in purchasing.

One often effective step is for a company to determine total purchasing costs last year; decide to cut them by, say, three per cent; have its purchasing chief lay out a program to meet this goal; check on him every three months to see how he is doing. This gives a man a

(continued on page 46)

PURCHASING:
Advance planning, blanket ordering save you dollars

INVENTORY:
New mathematical systems, standard parts cut stocks

MAINTENANCE:
Careful scheduling and centralization of crews can help

QUALITY CONTROL:
Check on suppliers and your own plants to get their best



ROBERT PHILLIPS

Outlook: By 1970 America will need 160,000 more computer programmers

AUTOMATION CREATES NEW JOBS

Talk about people displaced by machines obscures benefits of modern technology

AUTOMATION will result in greater employment and create hundreds of new businesses in the years immediately ahead.

This is the consensus of authorities in business, consulting organizations, and government who were asked by NATION'S BUSINESS to assess the impact of new technology.

Exactly how many jobs automation will generate is hard to pin down, just as it is difficult to get experts to estimate how many people will lose their present jobs because of technological improvements in plant and office operations.

Of one thing you can be sure. The debate over the job-creating and job-displacing effects of automation will grow more intense before it becomes less so. Union leaders regard automation as one of several factors which are weakening their base of strength. President Kennedy has described the problem of maintaining full employment "at a time when automation . . . is replacing men" as "the major domestic challenge" of the decade. Automation could become one of the hottest political issues in next fall's congressional elections.

Relatively little is known of automation's true impact, despite all the debate.

"We are at a stage of infancy in assessing the effect of automation," admits Seymour L. Wolfbein, Deputy Assistant Secretary of Labor for Manpower and head of the Labor Department's Office of Automation and Manpower, created a year ago.

Dr. Wolfbein, widely recognized for his analyses of employment trends, says many figures which have been used to demonstrate automation's effect on jobs are misleading and in some instances incorrect.

A good example is the figure 1.8 million jobs. You've probably heard it mentioned recently as the number of jobs which will be lost each year to machines at the nation's current rate of growth. It's a figure arrived at by multiplying the number of employed people in the labor force

by the nation's 2.7 per cent annual productivity increase.

Dr. Wolfbein holds that this figure might well approximate the number of people affected by automation in a year, but he disclaims its validity as a figure representing the number of jobs lost to automation.

"Thousands of people whose jobs are replaced by machines shift to other types of employment," Dr. Wolfbein notes. "Many get better, upgraded jobs. Some, of course, go onto the unemployment rolls. The point is that with our present system of gathering data on employment we simply do not have the information to tell how many people fall into the various categories. We hope to get appropriations from Congress to enable us to gather the information we now lack.

"It is nonetheless certain," he says, "that automation has come in for an unnecessarily large amount of blame for unemployment in recent months. There has been too much scare talk without real evidence to support such talk. Many jobs have been created by technological advancement."

Where jobs are growing

Facts on the job-generating effects of automation, while by no means wholly adequate at this point, do underline significant strengths in the American economy.

Fifteen years ago the occupation of computer programmer was unknown.

Today more than 40,000 people are in this job classification and industry estimates that at least 200,000 more will be needed before the decade ends.

Other jobs growing rapidly as the result of increased automation include systems analysts, instrument mechanics, electronic technicians, machine repair personnel, and others whose work involves design, production, installation, operation, servicing and repair of automated equipment for offices and factories.

Office-clerical employment has been rising steeply—more than 400,000 new jobs in that category were added last year alone—and many believe this results from the new uses to which automatic data processing equipment is being put by banks, insurance companies and other businesses.

John Diebold, president of The Diebold Group and an internationally recognized authority on automation, holds that automation—in the long run—will create many more jobs, and better ones, than those which it eliminates (See NATION'S BUSINESS, July 1961). He also calls attention to the fact that "new industries and new businesses are themselves made possible by the development of automated processes, notably in the field of information technology." As examples, he cites the manufacturing of equipment and components, and the supplying of information systems as major fields in industry.

Less obvious, Mr. Diebold says, is the growth of many service enterprises using the systems. "There are already several hundred data processing service centers," he adds. "The information-retrieval field will produce new businesses; foreign language translation (by automated equipment) will produce new businesses; the growth of systems to perform routine tasks such as making hotel and airline reservations will produce new businesses. Businesses based on software—the systems and programing instructions for new automatic devices—are emerging as a new and promising field."

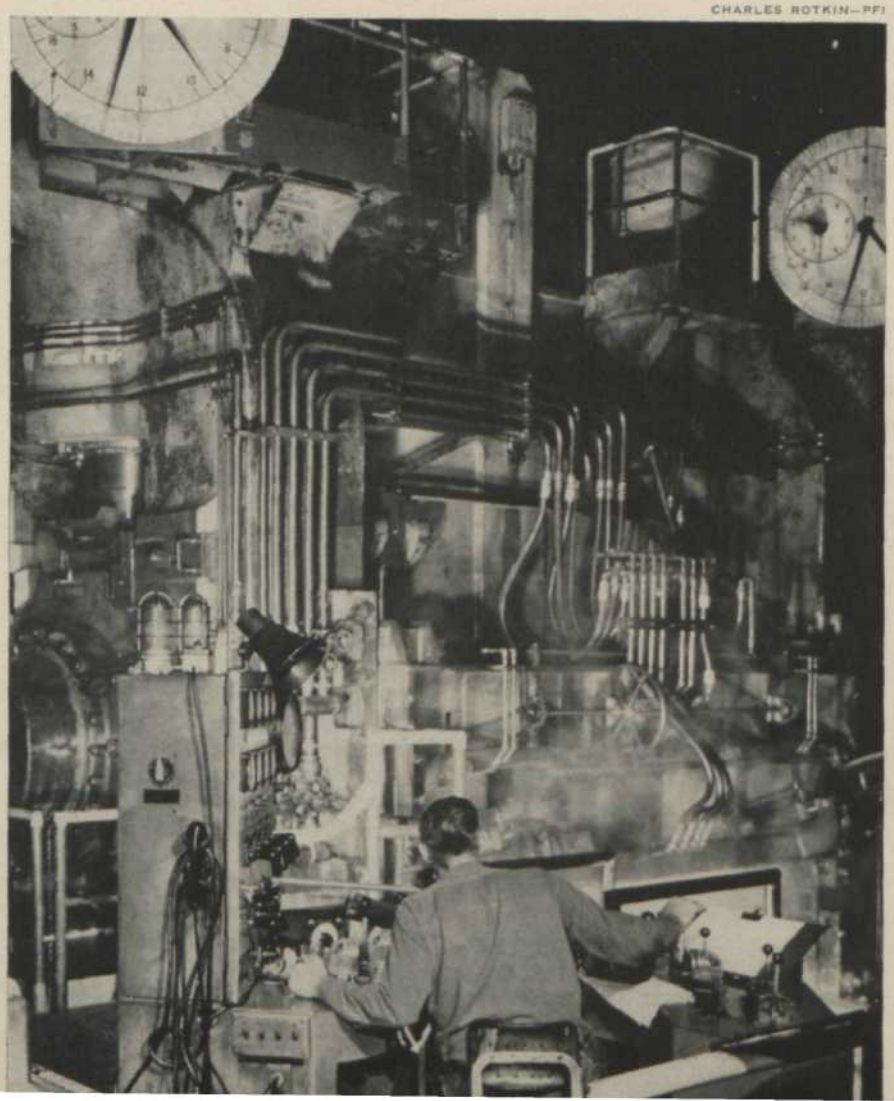
Computer's future bright

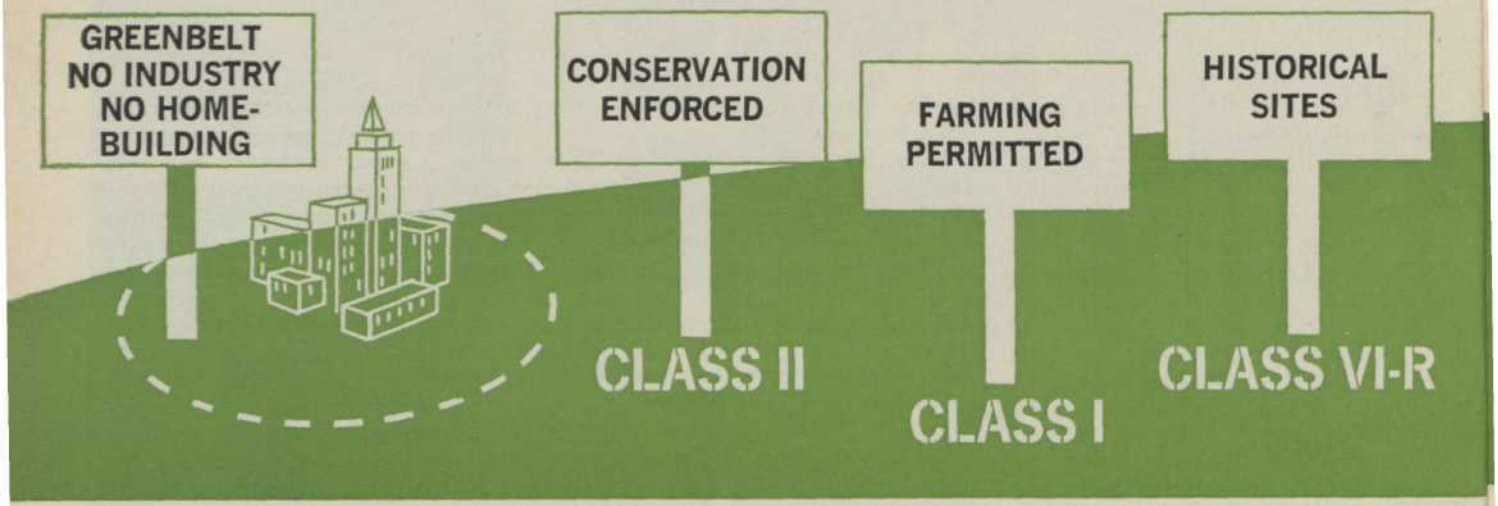
The computer, while it is only one facet of the automation picture, has become a kind of symbol of the

(continued on page 61)

Little is known of automation's impact, despite debate

CHARLES ROTKIN—PFI





PLANNERS URGE FEDERAL

Government would decide what could be done with every acre

IF ADVISERS to key Kennedy Administration officials get their way, many Americans will be told how or whether they can use their own property.

Although the land-control proposals have been advanced by officials in the Agriculture and Interior Departments, the plans could have as much effect on businessmen as on farmers and sportsmen.

One plan, outlined in a little-noticed Agriculture Department report, would set up what is called a classification system under which each acre would be fitted into one of eight government classes ranging from unlimited use to an absolute prohibition against any cultivation or development.

Also being pushed in the Agriculture Department and in the federal housing agencies are plans to ring cities with greenbelts up to 30 miles wide. No industrial, home-building or commercial activity would be allowed in these areas. They would be set aside solely for recreational purposes.

Another plan being considered in the Interior Department would give Secretary Stewart L. Udall control over all agencies dealing with land and resources. Some of these agencies are now in the Agriculture, Health, Education and Welfare, and Defense Departments. Under this plan the Interior Department would become a far-flung Department of Natural Resources with wide powers to decide how land and its resources could be used.

The Army Engineers, the Agriculture and the Interior Departments are also talking about carrying out comprehensive surveys and development plans for 50 of the 100 rivers that have not yet been surveyed.

These and other proposals restricting the use of land may be considered at a White House conference on conservation that President Kennedy plans to convene later this year.

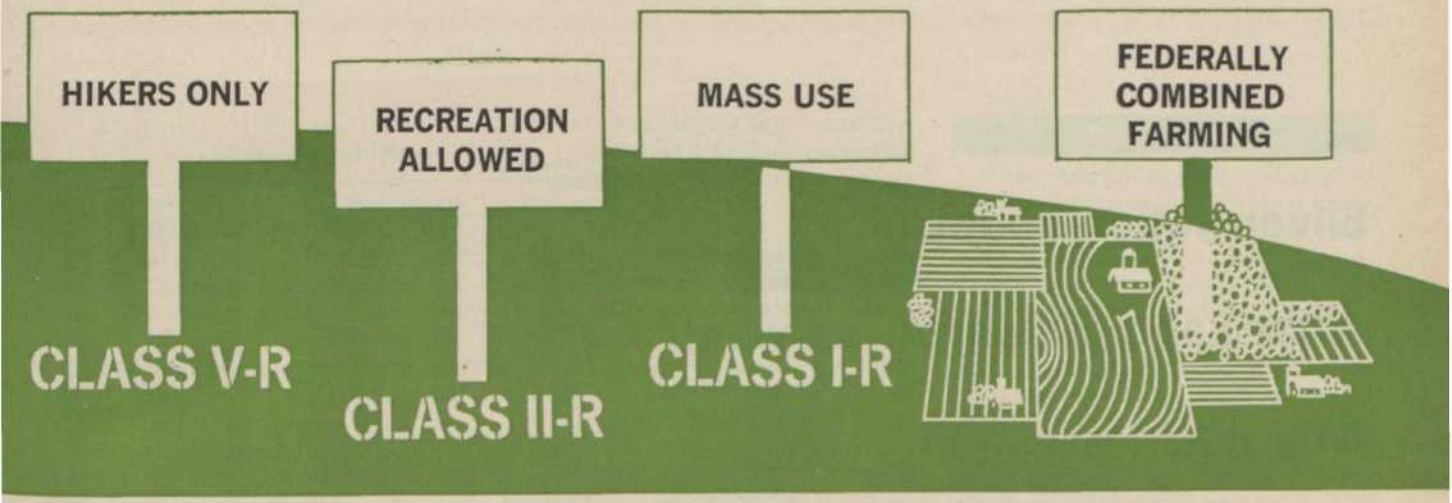
The President announced his plans for the conference in a special message to Congress on conservation.

The message stressed programs to expand national and state park systems through land purchase proposals to be financed largely from fees charged persons using the parks. The land purchase program would establish nine new national parks, seashores, monuments and historic sites over the next eight years at a total cost of at least $1 billion.

More than half of the cost of the program would be financed through increased fees charged for the use of parks, from special taxes on boats used in parks and gasoline for boats, and from receipts for the sale of surplus federal land. All of these sources probably would raise more than $80 million a year.

Some of this money would go to the states under a new federal-state grant-in-aid program, which for the first time would give the federal government authority to help states plan their park systems.

The Outdoor Recreation Resources Review Commission has advanced a plan to classify land used for recreation. Congress set up the Commission in 1958 to survey the nation's recreation needs between now and the year 2000. Although the Commission's plans are not so broad as those of the Agriculture and Interior Departments the rec-



LAND CONTROL

reation classification system reflects the approach to land-use regulation that is becoming popular in Washington.

The proposals of the Agriculture and Interior Departments could lead to eventual federal control of land. The Agriculture Department has already worked out detailed tables showing how land uses could be shuffled around in the next 20 years.

All of this could mean that the businessman who has bought land near a small town or city, or on the outskirts of a metropolitan area for future use as a plant or office building site would find himself stopped by federal rules from carrying out his plans.

This danger is probably greatest on the edge of present metropolitan areas. The government talk about controlling the use of land lays heavy stress on greenbelts around large cities.

These would be areas left in grass and trees to provide open space for city residents. Nothing could be built on them. So the businessman who had previously selected a plant site in such an area would have to look elsewhere for property.

The land-classification plan also would affect businessmen who own farms as an investment. If a land-classification system were in effect and if the government decided that a farm could no longer be cultivated, the owner would not be able to use it.

These proposals would cost billions. The Army Engineers, for example, already spend $1 billion a year on rivers, harbors and land-use projects. This is almost half of the $2.2 billion budgeted for the next fiscal year by all federal agencies administering current land and other resource programs.

One adviser to Secretary Udall has estimated that the federal government should spend an additional $12.5 billion over the next decade on conservation measures, including $2.1 billion to buy land for recreational use, fish and wildlife preserves, soil and watershed conservation and additional forests. The other $10.4 billion would be used to put into effect stepped-up government conservation measures on all of this federal land.

President Kennedy outlined what could be the first step in a federal land-control program when he asked Congress in his special farm message to set up a rural renewal program. This would be similar to the urban renewal program that has been in effect for more than a decade. This program gives the federal government authority to help cities buy land and buildings in deteriorating areas, tear down the buildings and sell the land for redevelopment projects in accordance with government plans.

The proposed rural renewal program would permit the establishment of what the President called local public rural renewal corporations. The federal government would lend money and provide technical assistance to these new public bodies.

Owner's choice limited

The corporations would have the power to buy up farm land, put several small farms together into an acreage deemed big enough to farm profitably and then sell the land to a single farmer under long-term, low-interest, government-backed mortgages. As under the urban renewal program, the owner of land wanted for rural renewal would have no choice but to sell to the government.

Mr. Kennedy also said that "these corporations would aid in developing new uses for land and water, create forest industry parks, assist small farmers in farm consolidation and enlargement, and

(continued on page 82)

A LOOK AHEAD by the staff of the

Silver action doubtful

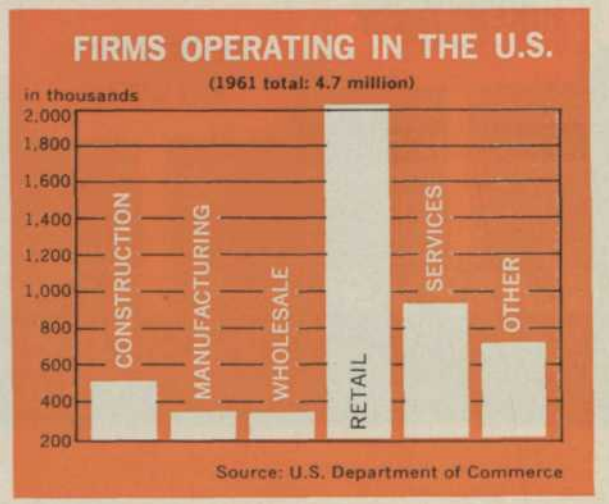
(Credit & Finance)

What Labor Department wants

(Labor)

Why businesses fail

(Marketing)



AGRICULTURE

Farmers, farm-related businesses and industry in general have a big stake in the proposed agricultural legislation and extension of the Reciprocal Trade Agreements Act.

Advances in technology practically assure continued increases in U. S. farm production. Farmers also depend increasingly on nonfarm sources for machinery and other supplies.

It is also generally agreed that farmers must continue to depend heavily on foreign markets.

The Administration accordingly is urging Congress to persuade farmers to restrict production of several major farm products.

The basic conditions are:

1. Strict production and marketing limitations.

2. Higher support prices and other payments to cooperating producers for domestic market needs.

3. Increased farm exports through (*a*) lower export prices on some items and larger export subsidies on others; (*b*) expanded government authority for donations, grants and credit sales under the Food-For-Peace program; (*c*) tighter import restrictions on the controlled commodities and (*d*) extension of the Trade Agreements Act with authority for the President to negotiate more favorable trade concessions.

CONSTRUCTION

Look for continuing efforts to divert the Federal Housing Administration from its major, long-established functions toward special welfare programs or insurance plans.

When first established, FHA was designed as an insurance system, open to all borrowers and most lenders. It was intended to contribute to housing progress by broadening the markets.

This original concept has been modified over the years by changes which operate to split up markets or restrict market functioning. More and more, the FHA system has been used to impose restrictions on managerial judgment and to influence costs and prices.

Further, the system has been broadened to include a host of special forms of mortgage insurance—some covering mortgages which never see the open market, but which the central government buys and holds in its portfolios.

Pressure for further splintering of programs and special treatment of selected classes of mortgages continues.

CREDIT & FINANCE

It appears doubtful that Congress will pass the proposal this year to end the use of silver in the monetary system other than as subsidiary coinage, as President Kennedy requested.

The President instructed the Secretary of the Treasury to stop selling free silver (that in excess of amounts required to back silver certificates) held by the Treasury for coinage. He also directed the Secretary to use the silver obtained by retiring appropriate amounts of $5 and $10 silver certificates.

Sen. A. Willis Robertson, Virginia Democrat, and Rep. Brent Spence, Kentucky Democrat, chairmen of the Senate and House Banking and Currency Committees, have introduced Administration bills calling for the repeal of the Silver Purchase Act. Hearings are likely but final passage may be delayed until next year.

FOREIGN TRADE

A nationwide debate is under way on the issues raised by the President's proposed Trade Expansion Act. Congressional hearings will attract national and international attention for weeks or even months.

Present negotiating authority expires June 30. This makes it imperative that Congress provide new authority in order for the United States to deal effectively with the European Common Market and other trade groupings.

The possible effect of the new program on particular industries and the role the program would play in furthering economic growth are being examined.

The proposed measure provides for gradual reductions in U. S. tariffs and help for vulnerable industries, companies and workers to adjust to new conditions. It retains the peril point, escape clause,

and national security provisions in somewhat modified form.

GOVERNMENT SPENDING

President Kennedy's fiscal 1963 budget—balanced precariously when submitted—seems headed toward a substantial deficit.

If this deficit materializes, it will be a repeat of 1962. The 1962 budget submitted by President Eisenhower estimated a $1.5 billion surplus for the current fiscal year. The new Administration has revised the estimate seven times and the surplus has been replaced with an estimated deficit of $7 billion.

Concern over the growth of federal expenditures has centered around debate on the Administration's proposal to increase the debt limit for the third time in one year. The Administration is counting on congressional desire for an early election-year adjournment to ease passage of the debt-limit increase before June 30. However indications are that the debt-ceiling proposal may encounter a serious slowdown in the Senate.

LABOR

The U. S. Department of Labor is sponsoring 16 legislative proposals in Congress this year. Some already have been passed.

The list includes: the manpower development and training bill; the youth employment opportunities bill; a federal unemployment compensation standards bill; the welfare and pension plans disclosure and control bill; an equal-pay-for-women program; compelling fringe benefits costs to be included in Davis-Bacon wage determinations; extension of coverage of the Fair Labor Standards Act; federal grants for state safety programs; wage and hour Walsh-Healey standards for government service contracts; a check-off of union dues procedure for federal employes; a single statute to consolidate eight-hour laws; prohibition of discrimination in state apprenticeship programs; federal standards for treatment of servicemen's accumulated leave pay; standardized federal employes unemployment claim procedures; a proposal making assault on any wage and hour investigator a crime; and a bill giving probationary employes re-employment rights after military service.

MARKETING

The 1961 business failure rate in the U. S.—64.4 per 10,000 enterprises—was the highest since 1939. In 1960 the failure rate was 57.0; the year before, 51.8.

More than 94 per cent of all failures in 1961 according to Dunn & Bradstreet are attributed to "inexperience, incompetence or neglect."

Other influential factors include: 1, stiffening competition; 2, a consumer spending switch from merchandise to services; 3, population movement to new areas.

Finally, businessmen complain that administration of antitrust laws, tax problems, sluggish profits, union pressures and government regulations hamper private initiative. In spite of these problems, more than 4.7 million companies were operating in the U. S. last year—17 per cent more than in 1950.

The outlook is for continued expansion.

NATURAL RESOURCES

About 30 per cent of President Kennedy's "Message on Conservation," covering eight critical resource areas, was devoted to crash programs for federal funding, spending, acquisition of lands (mostly private) and state subsidies for recreation.

This may be the Administration's interpretation of the report, "Outdoor Recreation For Americans," submitted by the President's Outdoor Recreation Resources Review Commission last Jan. 31.

The report lays the prime responsibility for future outdoor recreational planning and development on local and state governments and private enterprise. One proposal says: "Public agencies supplying outdoor recreation opportunities should adopt a system of user fees and charges. . . . This will stimulate provision of similar services by private operators (or land owners), who will not (then) be faced with competition from free government facilities." [See article on page 42.]

TAXATION

The Administration's tax bill omits a sorely needed piece of legislation: H.R. 640 and numerous companion bills, collectively referred to as "the Boggs bill."

This legislation would allow expenses incurred in legislative activities to be deducted as a business expense—provided such expenditures could otherwise be classified as "ordinary and necessary."

As the law now stands, no businessman may spend money in furtherance of legislation beneficial to his business and deduct the cost as a business expense. Neither can he deduct money spent opposing legislation harmful to his business.

The question of legislative expenses was not omitted completely from congressional consideration. A watered-down version has received an initial blessing from the legislators. Needed, however, is the entire Boggs bill. Only in this way can businessmen be assured that they will be permitted to exercise their right to petition—a right guaranteed under the Constitution—without fear of being taxed for it.

TRANSPORTATION

The report of the Presidential Railroad Commission concerning work rules and compensation rules for the railroad industry could mark a new era for railroads.

The recommendations of the report reflect unanimous views of the five public members of the Commission. The report also includes separate statements or dissents of carrier and labor members.

The findings could represent the beginning of much-needed reforms in work rules and compensation practices which reportedly have cost the roads $500 million a year.

Implementing these findings requires corrective state laws and modification of labor-management working agreements. It will now be up to federal, state and local authorities concerned with railroad work and compensation rules to take corrective action and for labor to accept this challenge toward working agreements which reflect modern conditions.

SAVE DOLLARS

continued from page 39

specific target, and a regularly scheduled hearing where he can state his case.

All the items a company buys are not amenable to across-the-board cuts.

A useful device, then, is to divide a company's total purchases into six or so categories of decreasing total dollar value or cost-cutting possibilities. The company will then know on what items to concentrate its money-saving efforts.

Moving a step further, the head of purchasing of an Atlantic seaboard machine products company persuaded sales and production chiefs to give him firm minimum estimates of parts and supplies they would need over the next year. With this commitment in hand, he then made volume purchases that saved his company more than $800,000 on its $50 million purchasing bill.

An increasing number of purchasing chiefs are discovering and using blanket orders. They gain a volume discount by guaranteeing a given supplier a certain minimum volume order, but save the clerical cost of constant reordering and the cost of maintaining inventory by having the suppliers deliver on demand or on a calculated schedule.

Substitute materials can also save important amounts of money.

Along with substitution, redesign of products for minimum materials cost is an increasingly important dollar saver. Here, vendors are especially useful. Have their engineers come in and look at your product; they may have a design or material suggestion that can save you money—and it costs nothing to get their advice.

Inventory

Since the early 1950's more and more major companies have taken to trimming inventory both through traditional control systems and new mathematical or operations research techniques.

"If a company hasn't been doing a particularly good job, it can probably cut its inventory from 30 per cent to 60 per cent, and improve service.

"Even when a company has good records and procedures, it is usually possible to pull down inventory investment by from 10 per cent to 15 per cent through mathematical techniques," says Clark Sloat, New York partner in charge of eastern management advisory services for Price Waterhouse.

Peat, Marwick, Mitchell & Company reports that, with the aid of a computer, it is helping one client trim inventory by 75 per cent. The inventory in this case involves many different sizes and colors of goods that are shipped to thousands of retail outlets. The company used to maintain vast stocks from year to year. Now, through a new sampling and ordering technique it expects to free several million dollars in inventory.

Companies don't have to set up a series of complex formulas and computers to sharpen inventory practices, says Alan C. Fuller, a manufacturing specialist for McKinsey & Company, management consultants.

Here is some useful information based on the experience of an alert company.

A $50-million-a-year producer of electro-mechanical components has noted that approximately 300 out of some 18,500 parts it kept in inventory accounted for 56 per cent of its annual cost of parts. By instituting fairly simple order-point and reorder quantity controls on these parts, and by assigning one clerk to process them, the company trimmed $600,000 from its inventory and saved an estimated $160,000 per year in purchase and carrying charges, Mr. Fuller reports.

Mathematical control systems for inventory have been adopted mostly by large companies but the techniques are applicable to smaller concerns as well. Most inventory control systems are quite straightforward, and even though only two out of six companies make use of economic order quantities, they are fairly simple to compile.

Maintenance

There is some question whether U. S. industry's annual maintenance bill comes to $8 billion as the U. S. Census indicates or $14 billion as other studies show. But there is no question that the tab is rising.

As capital investment ratios rise and automation increases, so do the costs and importance of maintenance.

Many technologically advanced industries such as oil refining and chemicals now employ more maintenance workers than production personnel.

Paradoxically, the growing maintenance staffs that came into being to help cut costs in many companies have themselves become targets for cost-cutting efforts. Some cases in point:

A medium-sized oil refinery was

WATCH FOR . . .

Reds plot against your business

Top authority on communists in the U. S. reveals how they spy on and infiltrate American companies and unions to attain subversive goals. He offers advice on business problems created by Reds.

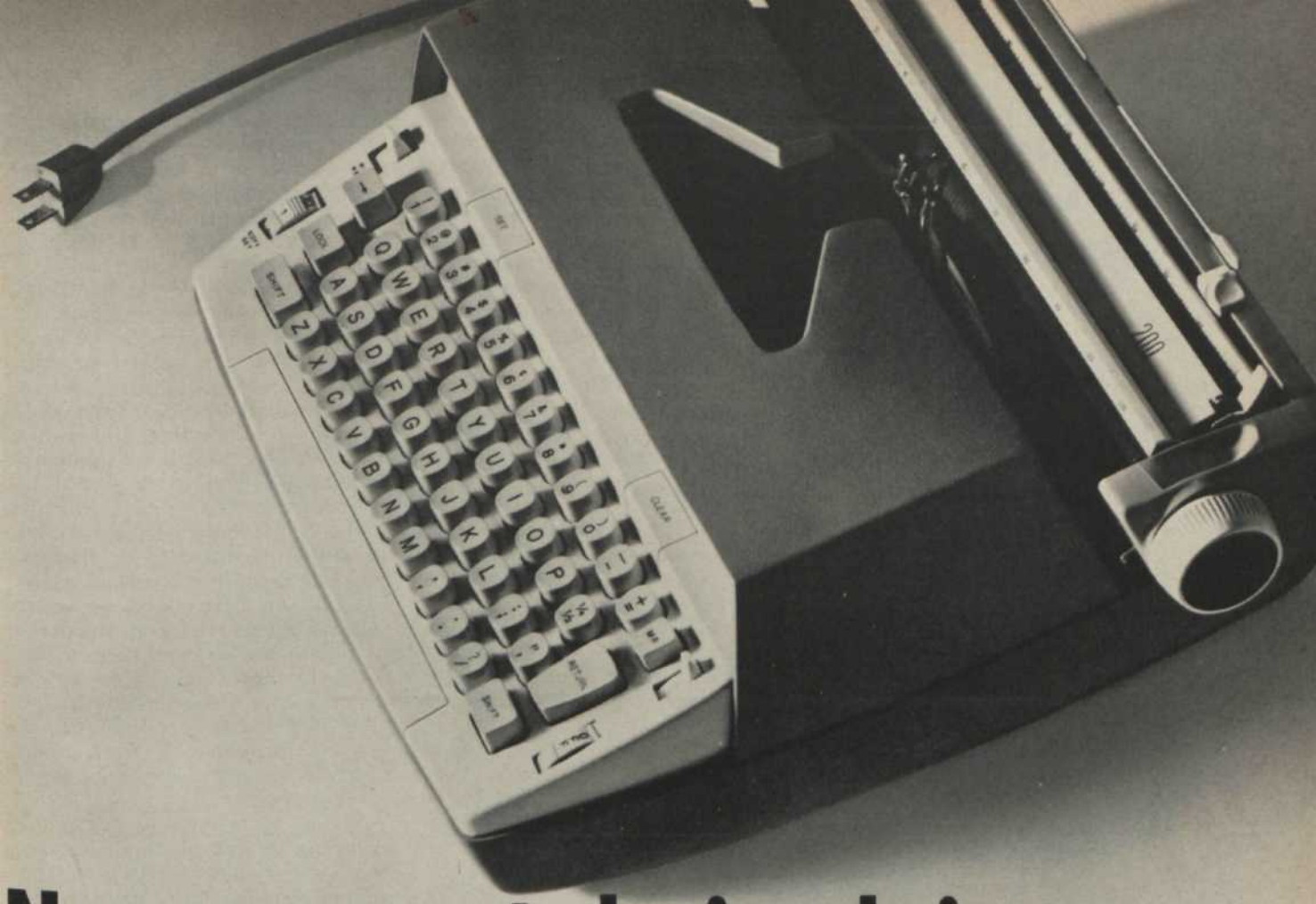
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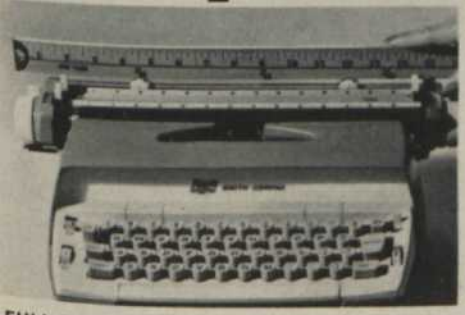
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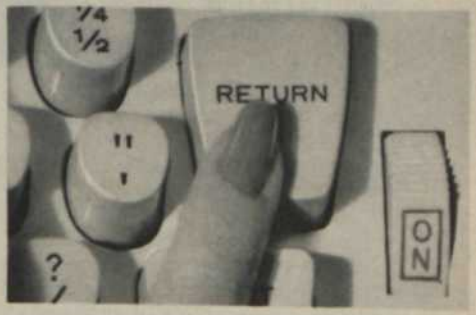
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A. B. Groos
Director of Industry
Board of Trade
San Bernardino, California

SAVE DOLLARS

continued

able to save an estimated $300,000 by better use of its men by preplanning maintenance schedules.

A $400-million-a-year equipment manufacturing company rearranged the layout of its large maintenance department to free a $150,000 investment in shop space and $100,000 a year in wages.

Companies with maintenance shops spread over several buildings or set up as separate entities in adjacent plants find they can trim overhead by centralizing parts of this operation, observes Burt Person of McKinsey & Company.

One company with millions of dollars worth of facilities spread over several states is toying with the idea of keeping a carefully calculated percentage of its maintenance personnel centralized at one point, flying them to other areas as they are needed.

A medium-sized manufacturing company spent $16,000 putting its maintenance data on punch cards but saved $30,000 through increased productivity.

Quality control

World War II procurement programs provided many U. S. companies with their first taste of formal quality and statistical control systems. Today the Defense Department is still a major quality control influence and pressure. Hundreds of defense contractors are working to reliability and performance standards they didn't think possible 10 years ago.

Many sampling, inspection, and quality control techniques have moved out of the defense field into industrial and consumer production plants. With more new products and materials coming into volume production and with a growing number of high-quality foreign consumer and industrial products crowding existing markets, manufacturers find they have to put a new premium on product quality.

Here are some tips that may be applicable in your company:

Taking a cue from the military, dozens of manufacturers make a practice of visiting vendor plants to check on their equipment and methods in order to help make sure they maintain quality. Some companies even install resident inspectors in vendor plants. A Borg-Warner Corporation division warns its suppliers that three or more competitor companies are standing by ready and eager to take over their contract. If quality stays below a certain level, it drops the supplier. In their own plants companies that put quality at a premium sometimes grant quality control inspectors authority to stop production lines when quality falls below a specified level.

General Electric, under its "Total Quality Control" system, does not let an item go into production until all members of a special product planning team, including a design engineer, marketing manager, quality control, purchasing, and manufacturing engineer have approved its final design.

Another device is to subject a model of the fully engineered and assembled product to the hardest type of accelerated wear and usage possible. As parts break or wear, their producers are shown the problem and asked to strengthen or improve the faulty mechanism.

There is an opposite side to the coin. Because testing and inspection are expensive, it doesn't pay to carry on any more than absolutely necessary.

A large metals fabricating plant reviewing its raw materials acceptance procedure found that all the vendors' quality tests were being repeated. It changed its testing and sampling program accordingly to save $40,000 a year.

Another company operated for three years under an extensive statistical sampling system designed to keep what had once been poor quality performance up to acceptable levels. Then it found production performance had so improved that it could afford less stringent and less costly inspections.

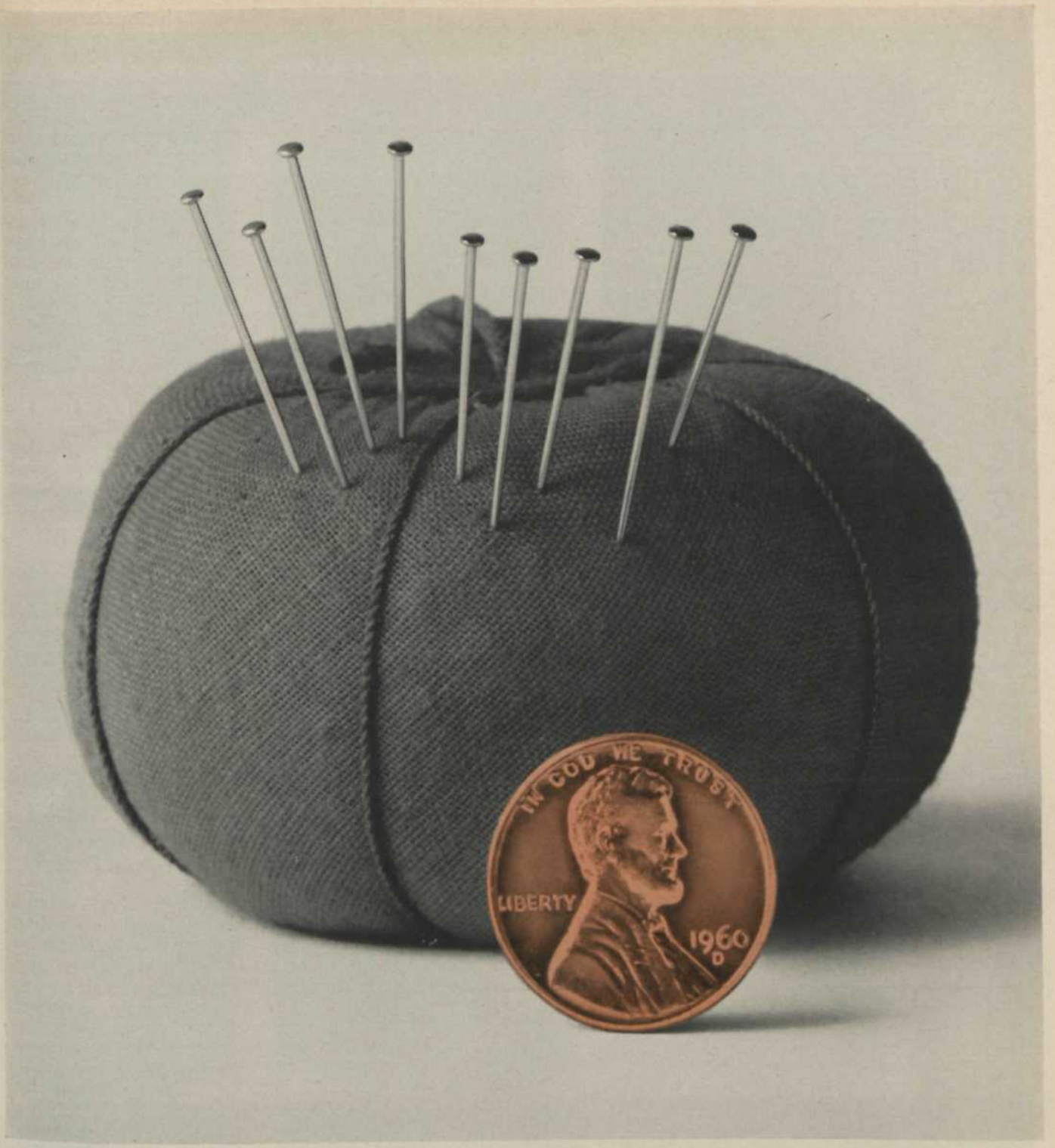
This sort of sharp-pencil survey of company operations makes the difference between top performers and others in any industry.

Such checks on operations by top executives, rather than being resented, are appreciated by down-the-line executives who often feel forgotten in their slots.

As long as their operating authority is not abrogated, it makes for improvement of performance when middle managers know their efforts are being noted. This is true not only in manufacturing but in marketing and finance operations.

—EDWARD A. MC CREARY

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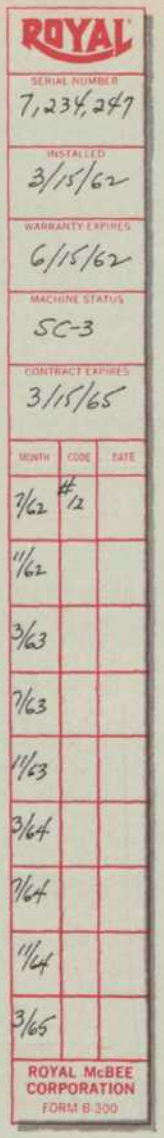
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PERSONAL OUTLOOK

How to pick pictures

You can lose your shirt on art.

John Walker, director of the National Gallery of Art, says:

"It's a tremendous mistake to buy contemporary art purely as an investment."

You're gambling with the odds stacked against you in buying with the aim of price appreciation.

Few can predict which way the price of a contemporary work will go.

Buy only what you really like, Mr. Walker urges.

If the price goes up—fine. If it goes down, you still have the pleasure of ownership.

Even older works of art—with the possible exception of the great masters—may fluctuate sharply in value.

Buy what you like, if the price is small.

If the painting or sculpture is expensive, buy what you like—but get the opinion of an expert such as your local museum director.

You may want to start out with the service offered by a number of museums.

You can rent the works of contemporary artists for several months.

If you decide to buy, the rental fee can be deducted from the price.

Vacations can harm your health

Take at least two weeks for your vacation.

If you don't, you could be headed for trouble with your health.

This is the opinion of Dr. C. Anthony D'Alonzo, a medical director of E. I. du Pont de Nemours & Company.

Here's why:

It takes about two days to unwind from job pressures after you reach your vacation spot.

Add to this your travel time, together with packing and unpacking at both ends of the trip.

Little time is left for relaxation on a one-week vacation.

Taking it one or two days at a time is even worse from a health standpoint.

Best advice for most people, Dr. D'Alonzo says, is take one long vacation and get completely away from job, house and telephone.

Boost your civic effectiveness

Working for civic and charitable organizations is an important part of most businessmen's lives.

How can you fulfill your obligation to your community with the greatest effectiveness?

Here's some advice given by top executives who are veterans of such activities:

Select two or three causes in which you're really interested and give them the best you've got. Don't take on so many that you can't do justice to any.

If you accept a top job, plan to stay with it at least two or three years, allowing time to make your maximum contribution.

If you find your interest and energy waning after several years, make room for someone else by moving on to another organization.

You may be able to delegate certain parts of

a major community undertaking to other executives in your company.

One executive says:

"You've got two alternatives—either be a doer or a donor.

"Most of us have to be doers."

Executives are seldom sick

As an executive, you'll probably lose less time from work this year because of illness than any of your employes.

Business managers and professional men will average less than two working days lost through serious sickness, Bureau of Labor Statistics figures indicate.

Sales personnel will be home sick 2.5 days.

Clerical and service workers, craftsmen and foremen will be ill nearly four days. Laborers will be off the job 4.5 days.

Stock options threatened

Congress may wipe out stock options.

This could be the ultimate result of proposals now being pushed.

Watch for efforts in the Senate in the next three months to hang such legislation as a rider on another tax bill.

Sen. Albert Gore, Tennessee Democrat, is the main opponent of stock options.

Under present federal law, restricted stock options involve no tax when they are exercised; and profit made if stock is sold later is treated as a capital gain.

Senator Gore's bill would do this:

1. The dollar difference between the option price and the market price on the date the option is exercised would be taxed as ordinary income.

2. Profit from a later sale higher than this market price base would be taxed as capital gain.

Options issued prior to passage of the bill probably would not be affected.

Though chances for passage this year are not strong, supporters hope that President Kennedy will include the proposal in his overall tax reform program, now being drafted for action in the next Congress.

Outlook for private schools

Don't give up hope if your boy or girl was turned down for next fall's classes by the private secondary school you'd picked out.

There will be a number of places open for qualified students in the good but smaller and less well-known schools.

The larger schools accept more new students than they have room for, counting on drop-outs between now and June.

Smaller schools don't usually overaccept. Though their fall enrollment may be filled now, drop-outs may cause vacancies before fall.

Try to find such schools and contact them. Two books at your library will be helpful: Sargent's "The Handbook of Private Schools" and Bunting's "Private Independent Schools."

You should also register your boy or girl with the Secondary School Admission Center, P. O. Box 34, Suffield, Conn.

Here's another approach, one that'll benefit your entire community:

Go out and work for better public schools.



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All truck and all new, the LOADSTAR is the first truck in its weight class without any relationship to passenger car or light-duty styling and components.

Make a date with a LOADSTAR and let it sell itself. Test drive it at your convenience at your INTERNATIONAL Dealer or Branch. International Harvester Co., Chicago.

12 ENGINE CHOICES

- V-8's and 6's – gasoline, diesel, LPG – and power to match your needs precisely.
- New low cost, lightweight 131-hp. diesel especially designed into the LOADSTAR.



New cab comfort, convenience

- Wide running board, low cab floor height.
- High crown roof, flat floor for plenty of head and leg room.
- Full-width, chair-high, fully adjustable seat with foam cushion.

QUICKER STOPS, LESS WEAR

Through "double-end action" wedge-type air brakes (optional on most models).

EASIER MAINTENANCE

- Low wide-spread fenders and hood provide a big, open engine compartment.
- Radiator, oil filler, dipstick, battery, air cleaner are easy to reach and there's plenty of room to work.
- Fuse panel in glove box.

greater durability— LONGER LIFE

- Frame channels full-depth from front bumper to rear springs in 4x2 models; new heat-treated straight frame channels—full-depth front to rear—on six-wheelers.
- New, wider front springs matched to axle ratings.
- Cab, fenders, hood and front-end sheet metal joined to form single, high-strength assembly.

WIDE TRACK FRONT AXLE

easier to maneuver

- New wide-track front axle improves ride stability.
- 40° turning angle for up to 7-ft. shorter turning circle than previous models.
- Flatter angle steering wheel for easier control.

INTERNATIONAL® TRUCKS

WORLD'S MOST COMPLETE LINE



Lincoln Life's simplified Group Insurance involves less paper work, takes less administrative time, and is easier for employees to understand.

Here's what your firm can gain with Lincoln Life's simplified Group Insurance

1. Case-handling time is drastically reduced by a fast, simple system developed by Lincoln Life. The key to this system is a compact file-size box tabbed for all routine, as well as unusual, situations. Behind each tab are simple, easy-to-identify forms with instructions printed right on them. This does away with the usual laborious method of hunting through a catalog of instructions, searching for the form described, then matching the right form to the proper rules.

2. Billing is greatly speeded up by the elimination of complicated monthly reports. With this procedure, the administrator merely lists the employees added or terminated each month —instead of showing *all* employee names and classification numbers, with volumes and units of insurance for each. He can even include last-day changes. This system shows accurately the people covered and the costs involved at any time.

3. Employees understand their coverage better, because of streamlined pamphlets and forms developed by Lincoln Life. For example, the announcement pamphlet and employee certificate are combined in one simple, dual-purpose piece (available in all states except Massachusetts). Also, the *entire group insurance proposal* has been condensed into a *single* sheet —easy to read and grasp. These developments promote better employee relations.

• **Why not phone or write** your nearby Lincoln Life agent to learn about additional ways your firm can benefit from Lincoln Life's simplified Group Insurance.



In adopting the name of Abraham Lincoln, this company assumed the responsibility of measuring up to that great name —in character, integrity and thoughtful human service.

THE **Lincoln** NATIONAL **Life** INSURANCE COMPANY

Its name indicates its character

Fort Wayne, Indiana

AUTOMATION

continued from page 41

whole. In this connection, it is interesting to note that the electronic data processing industry has grown from zero in 1946 to its present status as a billion-dollar operation. Dause L. Bibby, president of the Remington Rand Division, Sperry Rand Corporation, notes that, while about 5,000 general purpose computers are operating today, industry forecasters foresee from 10,000 to 15,000 at work in the United States five years from now. Net sales of digital computers alone in 1962 are expected to top $1 billion.

Indicative of the intense current interest in automation's effect on employment, and the scarcity of factual information on these effects, are several developments:

1. The Bureau of Labor Statistics recently sent to the Budget Bureau for clearance a study of the effects on 20 companies of the introduction of tape-controlled machine tools; further studies are planned.

2. The Bureau of Employment Security has several demonstration projects under way. These assess what happens when a plant automates, evaluate how much job-displacement occurs, what retraining steps are taken.

3. U. S. Industries, Inc., of New York, is setting up a nonprofit labor-management foundation to study the impact of automation on employment and ways to ease job displacement. The company builds automation equipment.

4. The Division of Manpower and Unemployment of BLS is studying effects on job composition and technological change in banking, electronic manufacturing and railroads.

5. The Business Equipment Manufacturers Association, New York, is preparing a report on automation's effects on its member companies, and the general economic effects of automation as well.

The rise of employment in industries using automated equipment—banks, insurance companies, other financial institutions—might in itself be considered evidence that such equipment generates jobs as it is used for new purposes.

On the other hand, there have been sharp drops in employment in industries where mechanization has been stepped up markedly since before World War II. Yet, not all of the blame for the job declines in these industries can be attributed



Larry Lerner of the Bolar Camera Corp.

"My postage meter helped me add new business"

"Our two camera shops keep us hopping. So statements and regular correspondence were as much mail as we could handle by the old 'lick and stick' method. Then I got my postage meter and found that we just breeze through our mailing. I've added some mail order business since, so now the meter is really my right arm. And I always have the right stamp."

Every small business can enjoy the benefits of metered mail. Pitney-Bowes desk model DM postage meter was specially made for the small business. In fact, one-third of DM users spend less than $1 a day for postage.

End licking, pasting stamps

No more sticky stamps. No pre-stamped envelopes. The DM prints exact postage directly on the envelope itself, or on special gummed tape for parcels. Seals as well as stamps, too. Prints your own small ad, if you wish!

And postage is sealed in to prevent loss, damage or misuse. Easy-to-read registers instantly show postage on hand and postage used.



Faster, too. Metered mail skips two postoffice operations, often gets on earlier trains or planes.

A DM costs about 30¢ a day. Even the smallest companies find it pays for itself just in prestige, convenience, free advertising and postage protection. Other models, too, for larger mailings. For a demonstration, call your local Pitney-Bowes office.

FREE! *Handy desk or wall chart of latest postal rates, with parcel post map and zone finder. Also free folder that gives you the facts about meters and metered mail. Clip and mail coupon below.*

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POSTAGE METERS
Made by the leading manufacturer of mailing machines...149 branch offices

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1321 Pacific St., Stamford, Conn.
Send free ☐ *Postal Rate Chart*
☐ *Folder to:*

*Name*_____

*Address*_____

*City*_____ *State*_____



HOW TO MIND YOUR OWN BUSINESS

(For fun and profit!)

Minding your business can be a pain in the neck. That's why we're offering an amazing new book entitled "Business Money Manager." It not only shows how to mind your business better, but how to clear more profit—and save on taxes, too! (Not to mention grey hair.) ■ To get the book, simply buy a brand-new E-series Smith-Corona Electric Adding Machine for $129.50. Easy as that! Then send us this prize-winning ad, proof of purchase, and your check for $1.95. Earth-shaking result: you get the book and machine! And no business should be without either of them. ■ The Smith-Corona E-series electric (shown below) offers these unique advantages: Speeds of nearly 3 cycles per second. Fully electric. Fully automatic addition, subtraction and easy multiplication. Feather-touch key action. Extra-long cord. Lightweight. Portable. And fast service from more than 300 Smith-Corona service locations. (Not that you'll ever need it.) ■ But don't dally. See a Smith-Corona dealer now!! This offer might possibly expire.



SCM

SMITH-CORONA MARCHANT INC.

410 Park Avenue, New York 22, N. Y.

AUTOMATION

continued

to mechanization. Other forces must be weighed.

Nat Goldfinger, assistant director of research for the AFL-CIO, told NATION'S BUSINESS that, in his opinion, shifts in market demand and a relatively poor level of production and sales in some industries accounted for the loss of many jobs in such basic industries as steel, coal and railroading, while automation has been a factor of comparatively indeterminate effect.

"In coal," says Mr. Goldfinger, "consumers obviously shifted to other fuels, thus causing some of the job loss. The same is true in steel and rails. Alternate products or modes of travel have taken a toll on jobs. Automation hurt, too—but it's difficult to say how much."

The labor federation's position, Mr. Goldfinger says, is that the nation's economy is not growing fast enough to accommodate the job-displacing effects of automation. Claiming there are "deficits in the growth of the private sector of the economy" the AFL-CIO urges additional government action to stimulate economic expansion.

The AFL-CIO also contends that it is unfair to expect labor unions and private businesses to shoulder the burden of retraining and upgrading workers whose jobs may be eliminated by technological improvements. Thus, the federation has supported the Kennedy Administration's job-retraining program and also favors direct federal grants or allowances for worker relocation in instances where it is necessary for a man or woman to seek employment in a new area.

In a report entitled "Automation and Unemployment," the Chamber of Commerce of the United States sets forth a number of recommendations for easing the adjustments brought about by automation and other economic change.

Some of the recommendations include:

► Collection of improved information on current job openings, by skill, number and locality;

► Utilization of this information by the United States Employment Service and other agencies concerned with placing unemployed workers; and

► Advance notice by employers of plans for mechanization or automation which will displace substantial numbers of workers, combined with announcement of the alternatives available to the displaced workers and the steps which management is undertaking to minimize the problems.

The Chamber also urges improved vocational counseling and guidance to steer young people into the most promising areas of the job market, restructuring of vocational curricula to train workers for the skills of the future, rather than the skills of the past, and expanded efforts by employers and unions to retrain workers on a continuing basis as a means of averting skill obsolescence. (Copies of the complete report may be obtained by writing the Economic Research Department, Chamber of Commerce of the United States, Washington 6, D. C.)

A number of limited-scale studies of the impact of automation on industry already have been completed by a division of the Bureau of Labor Statistics.

Edgar Weinberg, a spokesman for this division, says findings to date suggest that people who retain their jobs in a company after automated equipment or processes are installed emerge with higher wages, more fringe benefits, better working conditions and improvements in safety.

Some dollars are worth more than others. For extra-value savings see advice on page **38**

Mr. Weinberg believes that the pace of automation's advance in the national economy has been exaggerated—particularly in some recent forecasts which paint a dark picture of future employment conditions as a result of more automated business-industrial operations. He believes the adjustment to automation will be gradual and that necessary accommodations to it will be made so that no dramatic displacement of workers will occur.

What Kennedy's advisers found

A similar tone was reflected in the report last January of President Kennedy's Advisory Committee on Labor-Management Policy. This group, consisting of 21 members from management, labor and the public sector, evaluated "the benefits and problems incident to automation and other technological advances."

The report rejected "the too com-

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6 or V8, you get Chevrolet dependability that pays off in low upkeep and highest resale in its field

Makes no difference which Chevrolet engine you pick for your fleet, you can count on getting a power plant that's built to take it over the miles and over the years. Among the many fleet-proved dependability features of the Hi-Thrift Six, for example, are precision-balanced forged steel crankshaft, automatic choke, and advanced valve-in-head design with hydraulic valve lifters that never need adjusting. The standard V8 also gives you built-for-business thrift and stamina —with its economy contoured camshaft and efficient 2-barrel carburetor. And what goes for Chevrolet engines goes for Chevrolet transmissions. Note: Powerglide* has been steadily growing in popularity with fleet buyers because of its husky build that makes major overhauls almost a thing of the past. Add to this Chevrolet's rugged construction (things like those new rust-resisting front fender underskirts), and it's easy to see why *Chevrolet traditionally brings the highest trade-in of any full-sized car in its field.*

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**Optional at extra cost.*



the new **Chevy II** *Chevrolet dependability in a thrifty new size*



Two brand-new Chevy II engines (your choice of a spunky four or a spirited six in most models) are built with a new kind of basic simplicity that goes as easy on gas as it does on service. Easy-to-maintain unitized body even has bolt-on front end sections, including fenders, to pare down repair costs. Yet with its low price and other common-sense economies, Chevy II gives you a full quota of fine fleet car features, including a ride so smooth it reminds you of the big Chevrolet. . . .

Chevrolet Division
of General Motors,
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CHEVROLET



Remember these phrases?

"Ready or not, here I come. . . ."

"Skinny eight and two's ten. 1-2-3-4-5-6-7-8-9-10. . . ."

"Go to JAIL. Go directly to JAIL. Do not pass GO. Do not collect $200."

Ring a bell? They're all from games you may have played as a kid . . . in the carefree days when your elders were the ones concerned with community problems and progress.

Nowadays we are the elders. It's up to us to create a healthy happy atmosphere for our children to play a new set of games. Fortunately, we still have the most effective instrument for community betterment through which to channel our efforts—the local chamber of commerce.

By working together through the chamber we can continue to make our town a better place to live, work, and play games like—"1-2-3-4-5-6-7-8-9-10. Stop. RED LIGHT!"

PETE PROGRESS

speaking for progress through the voluntary organizations of business . . . trade and professional associations and local chambers of commerce.

mon assumption that continuing unemployment is the inherent cost of automation." Two members of the committee, Henry Ford II and Dr. Arthur F. Burns, president of the National Bureau of Economic Research, rejected the report's general emphasis on automation as a cause of unemployment, although they supported its three main conclusions:

"Automation and technological progress are essential to the general welfare, the economic strength, and the defense of the nation.

"This progress can and must be achieved without the sacrifice of human values and without inequitable cost in terms of individual interests.

"The achievement of maximum technological development with adequate safeguards against economic injury to individuals depends upon a combination of private and governmental action, consonant with the principles of the free society."

In a dissent, Mr. Ford wrote that automation, in its over-all effect, increases income and expands job opportunities.

"History teaches us," he observed, "that by and large workers displaced by technological advance have moved rapidly into other employment, ultimately to better-paying jobs.

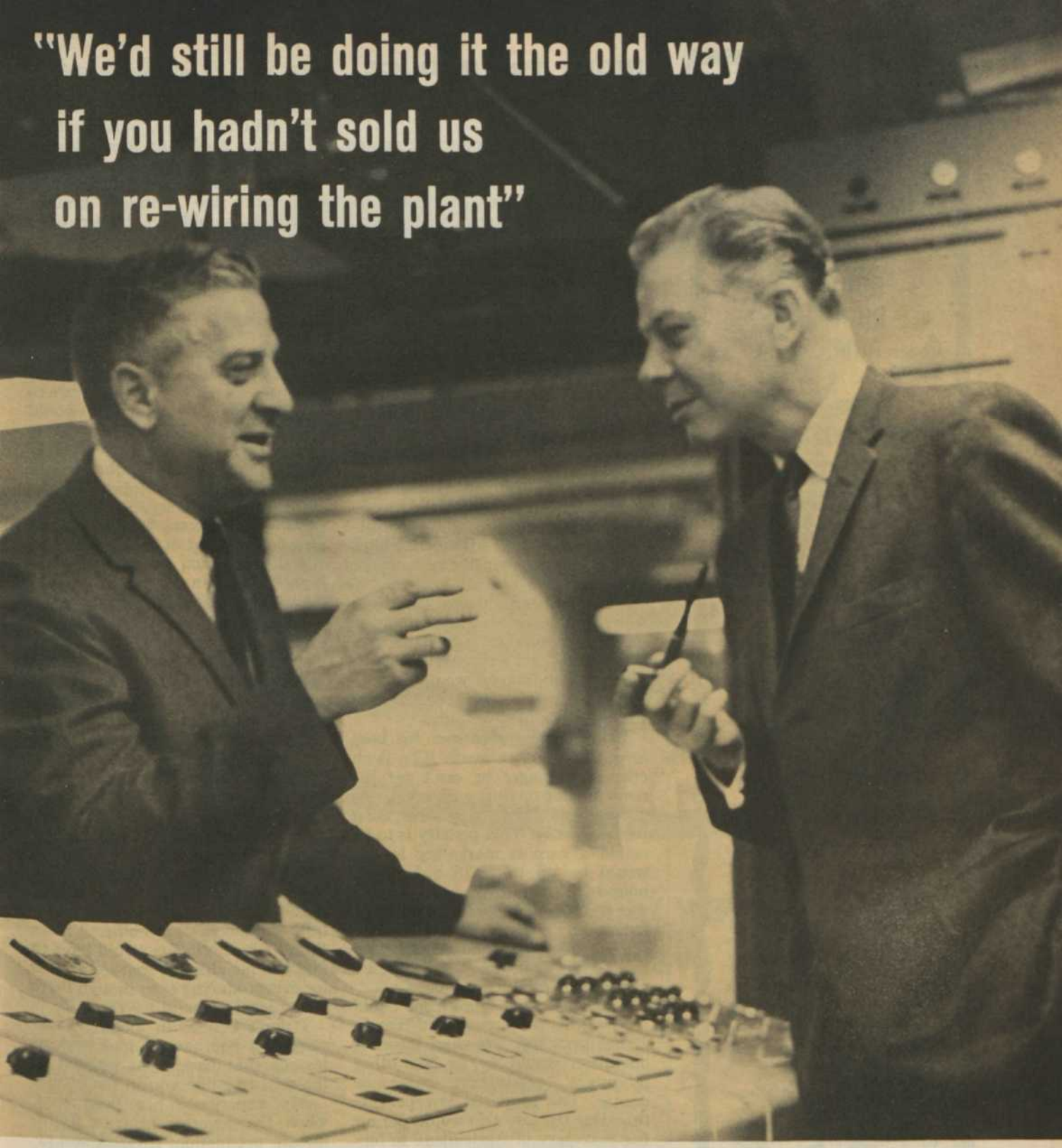
"This is why we have had rising personal incomes rather than mass unemployment as new technology has come into use and productivity has increased."

Mr. Diebold contends that it is virtually impossible to determine just how much labor displacement has taken place or will take place as a result of automation, or "cybernation," as some call it.

"The central facts," he says, "are simply that rapid change is taking place, both in technology and in the social forces arising out of the new technology.

"We are going to have to adapt to them. The problem is one of adaptability, of education, and of education within business.

"It is critically important that business develop a capacity for leadership in this new era. Fundamental changes in society will fundamentally change the role of business. If it does not lead society into tomorrow's world of automation, then business will have no choice but to fight a retreating, defensive action." **END**



ELECTRICAL MODERNIZATION MORE THAN PAYS FOR ITSELF

New production techniques employ automation and mechanization to boost production, cut costs. But you can't switch from manpower to horsepower if your wiring system is obsolete—and it is, if it's over ten years old. Inadequate wiring means inefficient lighting, heating and cooling. The penalties are lagging production, mounting costs and employee discontent. Let a *qualified* electrical contractor show you how a new wiring system will more than pay for itself. He will—

- ☐ Analyze your electrical needs
- ☐ Conceive, execute and maintain a complete step-by-step electrical modernization plan
- ☐ Present reliable cost-saving estimates
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- ☐ Provide a time payment or leasing plan

For names of qualified electrical contractors who will help you *keep pace electrically*, write NECA—National Electrical Contractors Association, 610 Ring Building, Washington 6, D. C.

NECA



Keep those wage hour records on a

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TIME RECORDER



Accurate time records and proof of compliance are *mandatory*, if you are subject to the Wage Hour Law.

For years, Lathem Time Recorders have been simplifying wage-hour timekeeping for business. Many companies have avoided stiff fines by having time cards to prove compliance.

And, here's another fact, the new revisions in the wage-hour law may mean increases in your salaries and wages. If so, it will be more important than ever to eliminate tardiness with a Lathem Time Recorder.

There is a Lathem to fit your size business – priced to fit your business budget, and capable of paying for itself in a matter of months.

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WITHOUT OBLIGATION Send catalogs and prices on Lathem Recorders, together with proper time cards for keeping wage-hour records.

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RIGHT TO PRODUCE

continued from page 37

government sets production quotas for milk and sharply cuts the supply, prices probably will go up if the demand holds. Whether income goes up, though, will depend largely on how well we can keep rising costs in line and whether consumption holds up.

Nowadays you have to produce more just to keep income where it is. My 1961 production was 556,000 pounds of milk, compared with 464,000 pounds in 1957, a 20 per cent increase. Gross income in 1961 was only 5.4 per cent higher than in 1957, whereas expenses in 1961 were 21 per cent higher than for 1957.

Under the proposed new milk production control law, the Secretary of Agriculture would set a national marketing allotment. This would be the quantity of milk he thinks will be needed to meet domestic commercial needs, donations to welfare programs, export requirements and foreign aid. Each producer would get a slice of that allotment, depending on what his base is. And his base is to be fixed in line with his past output.

If a producer goes over his base or quota—in other words if he is an efficient manager or can't get his cows to stop giving milk when the government says "stop"—he must pay a penalty. This penalty is to be called a surplus marketing fee. It would be up to $2.75 a hundred pounds. The milk processor would pay the fine, but he would collect it from each producer. With a penalty fee at this rate you would lose money on any amount marketed above your production quota.

The only way a producer could increase his production and remain a healthy and growing business operation would be to buy other producers' production bases or quotas. The proposed law permits this. But the law also would permit the Secretary of Agriculture to buy any bases that were for sale. He could cancel these bases, or he could redistribute them. This would give him the power to enrich one area at the expense of another.

Premium on violations

To live under this law, I would have to try to buy new bases on the open market by bidding against my neighbors and the government, even though I would have to sell my milk in a government-controlled market.

If the law is passed and dairymen vote for allotment controls, price supports would be paid at a level that would cost no more than $300 million a year, plus the total of surplus marketing fees collected from the efficient producers who went over their federally set limits. So, under the allotment system, dairymen would get higher price supports if enough people violate the rules by producing more than their bases and paying fines.

For me to stay in business, I know I would have to buy enough allotments to boost my production base tremendously. One reason is this: For small farmers, the law allows the Secretary of Agriculture to set minimum allotments that could not be reduced. If the limits were set to apply to farmers with only one cow, for example, that would take in nearly one fourth of the farmers in Kentucky. So producers owning more cows would have to absorb the brunt of the reduced national production quota that would be set. You can see where I would be with 43 Holstein cows and 30 head of young stock.

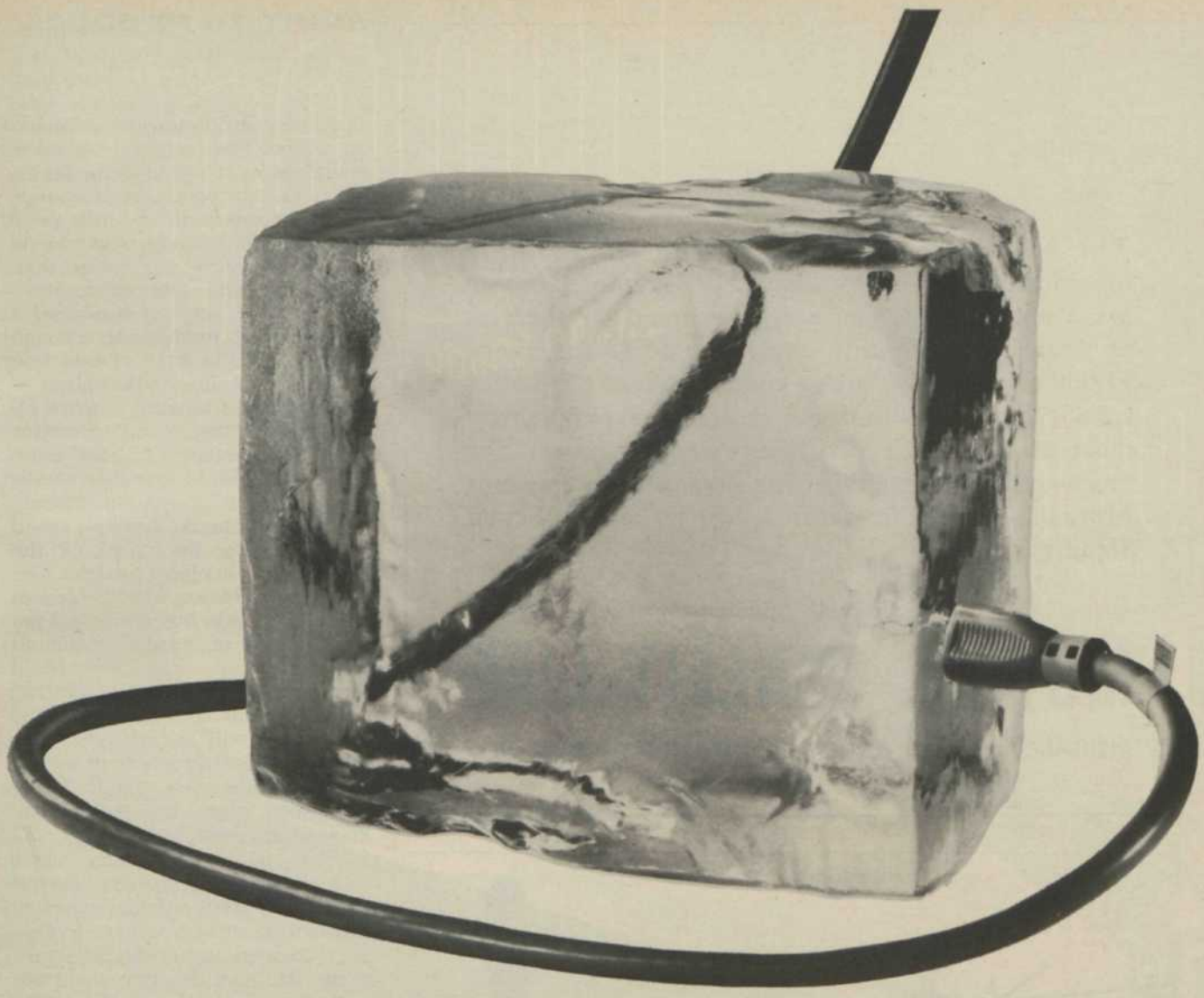
If one of my sons decides he wants to have his own dairy farm he would have a hard time getting started. It would not be possible for a young man to work into the dairy business by buying heifer calves and raising them to maturity. He first would have to find someone willing to sell him a production base giving him the right to produce and then find financing for this sizable purchase.

In deficit milk producing areas, where milk is brought into a community from many miles away, milk producers who produced more than their allotments would have to pay the penalties of marketing fees for overproducing even though there was a local demand for the milk.

I don't believe in looking backward, but you have to look back at lessons that have been learned in the past to guide you in the future.

My experience has been that, when the government tries to influence production, it has a bad effect. A few years ago, I got $1 a pound for wool from my sheep and about $26 per hundredweight for lamb. The government then decided we should have more production. So it established a system of compensatory payments. The price I got after that for wool fell to about 58 cents a pound and lamb dropped to about $17 a hundredweight.

Even in tobacco—which I also have grown for years—we're still trying to improve the government allotment program after a genera-



Electricity broke a heat wave, and made a sales wave

The office building at 700 Walnut Street, Cincinnati, Ohio, had been occupied by a wholesale house for many years. But when—in the summer of '57—this business moved, newer office buildings with their modern conveniences were giving owners serious competition for tenants. The annual heat wave, too, was affecting rentals as never before. The management decided to do something.

In the fall air-conditioning was installed. So were better heating, automatic elevators, glare-proof lighting. For the first time there were ample outlets and power for electric typewriters, adding and copying machines, dictating equipment. And for everything else that makes for modern office efficiency.

There was a wave of interest. In '58, 700 Walnut Street was completely sold out. It remains so today.

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More modern use of electricity can help you, too, keep pace electrically. Ask an electrical expert. No obligation, of course.

KEEP PACE ELECTRICALLY

REPORT ON ELECTRICAL MODERNIZATION

#6 in a series published by National Wiring Bureau, 155 E. 44 St., New York 17, a non-profit organization dedicated to better understanding and utilization of the benefits of electricity.

Call your electrical contractor, electrical league or power company.

tion. Though allotments are placed on tobacco, the restriction is not on poundage as it would be under the milk control program. So some room is left for incentive and intiative to improve your poundage on your allotment.

Unlike milk, tobacco improves with age. It can be stored when taken out of production and sold over a period of time so that sales don't disrupt the market. Individual acreage in tobacco is small. So when land is taken out of production and transferred to other crops, this doesn't tend to create a sudden surplus in the alternative crop.

Finally, tobacco has no substitute. Butter, on the other hand, has a competitor in oleomargarine. That is the major reason why the government has had to buy about 400 million pounds of surplus butter the past year.

I am convinced that if the government gains control of milk production, it will not let go. There may be federal programs that were started in the past and that have now been given up, but I don't know of any.

What is fundamentally wrong with the big new proposal in agriculture is that it would weaken individual incentive. A man needs to be motivated to accomplish something. He can be moved by expected rewards. He can be moved by the challenge of trying out his own way of operating to get results. Or he can be coerced. The government way is coercion—the worst way to motivate a man.

In the case of the milk production controls, the government pressure would be to produce less. This is in direct contrast to the natural desire to produce more. I have always tried to outproduce others. There are no limits on my production goals. I'm shooting for 15,000 pounds milk production per cow. If I get that, I'm shooting for 20,000.

If the government restricted my production to a set base and I knew exactly what it was going to be, and that this was what I'd be paid for, there would be no challenge even if I was assured of being paid. If I wanted that kind of security, I could find it in jail.

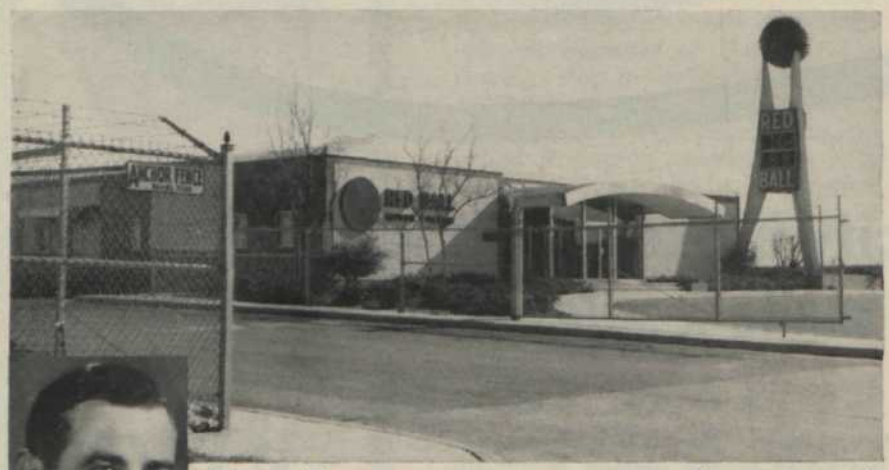
Life under such controls, I am sure, would weaken a man to such an extent that government soon would be making all of his decisions for him. No man in any business wants that. **END**

The Mutual Benefit Life guaranteed monthly incomes are unusually high. For example, if you are a man age 65, you are guaranteed for the rest of your life a monthly check for $6.32 for every $1,000 of proceeds. Such a guarantee is of particular significance to business and professional people who must provide their own retirement incomes. For more information about this and other important Mutual Benefit Life features, just write for "Seven Significant Benefits."

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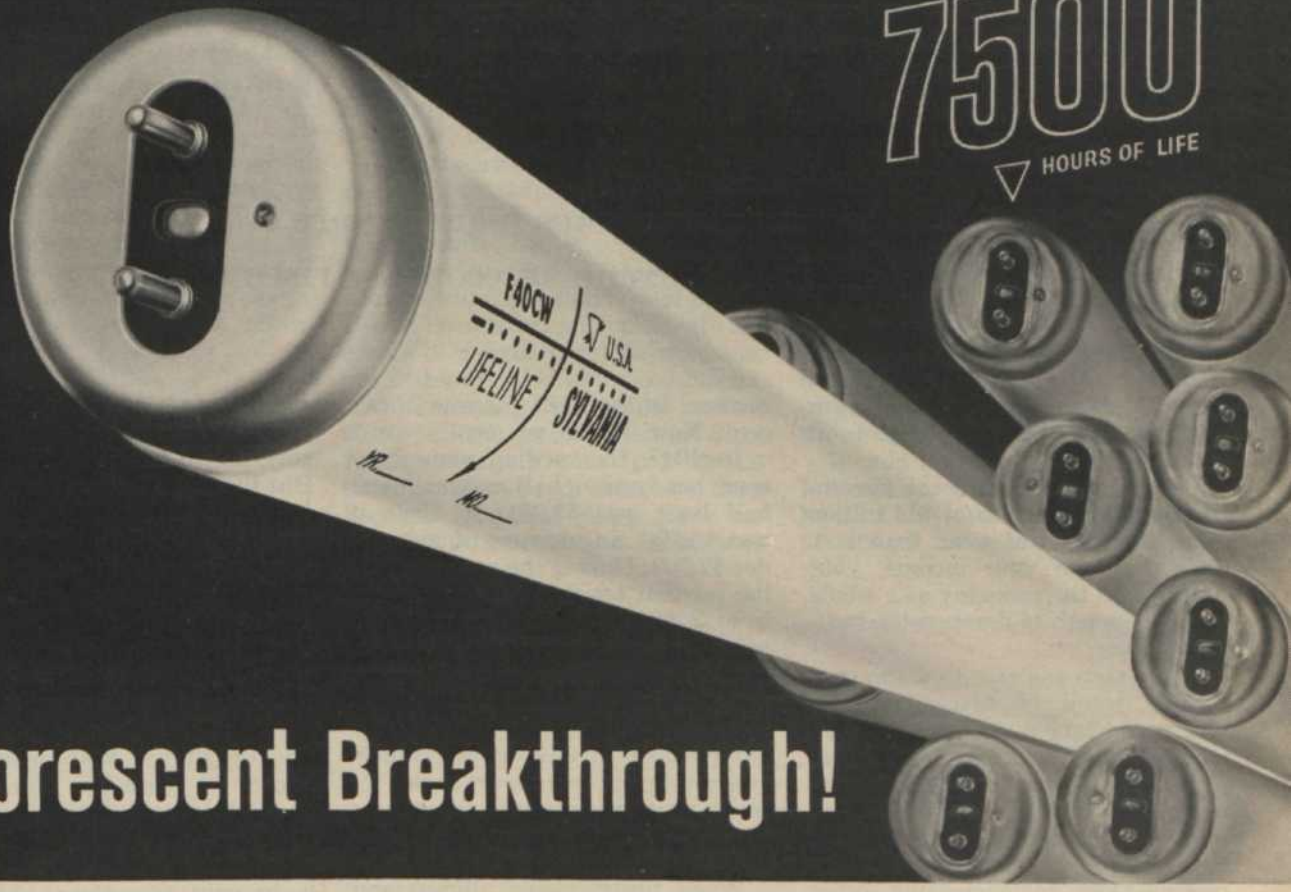
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Street.....

City.....Zone...State.....

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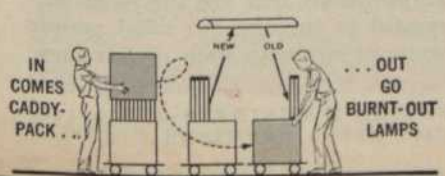
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It's another spectacular first from Sylvania! Now, rated life of standard Sylvania 40-watt fluorescents leaps from 7500 hours to an unheard-of 9000 hours in new "Lifeline" series. That's almost 4 years . . . at 40 hours of weekly use. No other 40-watt fluorescent—not even a premium—equals this performance.

What's more, this new Sylvania lamp uses less power than any other standard lamp. Saves as much as 3% on electric costs. Rated at 3100 lumens, too. And every one is backed with this exclusive money-back guarantee: "If at any time a Sylvania Fluorescent Lamp fails in your opinion to provide better performance than any other brand fluorescent lamps, on the basis of uniformity of performance, uniformity of appearance, maintained brightness and life, it may be returned to the supplier for full refund of purchase price." And here's another plus. Now you get 60 of these 9000-hour "Lifeline" lamps safely packed in new Sylvania Caddy-Packs. (The top is specially designed to hold replaced tubes.) So group relamping with Sylvania is now faster, safer, more economical than ever!

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Government takes bigger share of national income as economy rises

HIGH TAXES are keeping your business from being as good as it could be.

Federal, state and local governments will collect about $14 billion more in taxes this year than last. This drain on your income, your profits, and the economy as a whole may be enough to dampen the business upturn.

There's even a risk that the continuing trend of taxes taking a larger and larger share of national income could bring on a recession.

Congress is now considering legislation to lighten the federal tax burden on some industries, but the measure would make up most of the revenue loss by increasing other taxes.

The Kennedy Administration also promises to propose large-scale tax reform, including reduction of some of the highest current rates, for action next year. A fresh look at how taxes affect prosperity provides convincing proof of the need for such an overhaul.

We all know that when our incomes or profits move into a higher bracket, the government takes a larger percentage. This is happening throughout the economy. Thus, the government is collecting a bigger wedge of national income each year even though tax rates stay the same.

In the late 1920's, the tax take was about 15 per cent of national income. In the 1940's, it was 27 per cent. Now, it's 35 per cent.

In 1947, the median money income per family (half making more, half less) was $3,031. In 1960, it was $5,620, an increase of just under $2,600. During the same period, the median family's taxes went up from $290 to $815, or more than twice as fast as its income. For above-average families, the increase was greater.

Part of this rise is in relatively hidden taxes—levies on individuals and employers to support social security, unemployment compensation, disability payments, and the like.

When the economy slumps and unemployment rises, these funds are paid out, along with pensions, welfare and other relief financed through income and business taxes. This filters purchasing power into the economy and tends to moderate the downturn.

When business is good, the government collects as much or more of these special taxes—as well as others—but it pays out much less. So governments take more out of the economy than they put in.

This has at least three dampening effects:

- ▶ It discourages individuals from spending.
- ▶ It penalizes successful businesses.
- ▶ It prevents job-making investment.

You and your customers, of course, cannot spend the money government takes from you in taxes. But the effect is considerably greater than the loss of that money. Surveys by the University of Michigan's Survey Research Center show that the more people earn and buy, the more they want to earn and buy.

As Dr. George Katona, Center director, puts it, "Surveys show that the American people desire a variety of things that were hardly known 10 years ago. The more we have, the more willing we are to spend on schools, hospitals, and other public facilities. The first task is to gain acceptance of the idea that tax incentives must encompass both business and consumer investment."

This would indicate that the concern of some economists that public spending is being starved is exaggerated. These economists' proposals for more federal spending for schools, libraries, research, health care for the elderly, may be self-defeating, according to Dr. Katona's studies. They may check prosperity, increase unemployment, and thus reduce, rather than increase, the rate of growth of the economy.

The high tax rate penalizes the efficient by taking more from the corporations that are the most successful in turning out what people want to buy with their own money.

Business then has less incentive to be efficient or successful.

The progressive income tax also takes away the funds that individuals or companies could invest to improve productivity and create more jobs. Without such investment, the unemployment problem will be harder to cure, and may drag down prosperity for months or even years.

Three things can be done to offset the damage done to the economy by government's excessive tax take:

- Raise government spending to return the money to the economy.
- Ease monetary policies to pump out money to replace that taken by taxes.
- Cut taxes.

Either of the first two alternatives may create more problems than it solves.

Higher spending

Parkinson's second law, that expenditures rise to match income, is widely observed by governments. Many economists argue that this is the best way to keep high taxes from dampening prosperity. If as much money is put back as is taken out, this argument goes, the economy may actually be helped, because governments can direct their spending into more desirable channels than individuals.

This theory overlooks several important facts. Much of what governments buy does not add to the nation's wealth. Military weapons—as necessary as they are—do not improve a country's standard of living. Russia provides an excellent example of a nation rich in weapons, but with miserable living conditions.

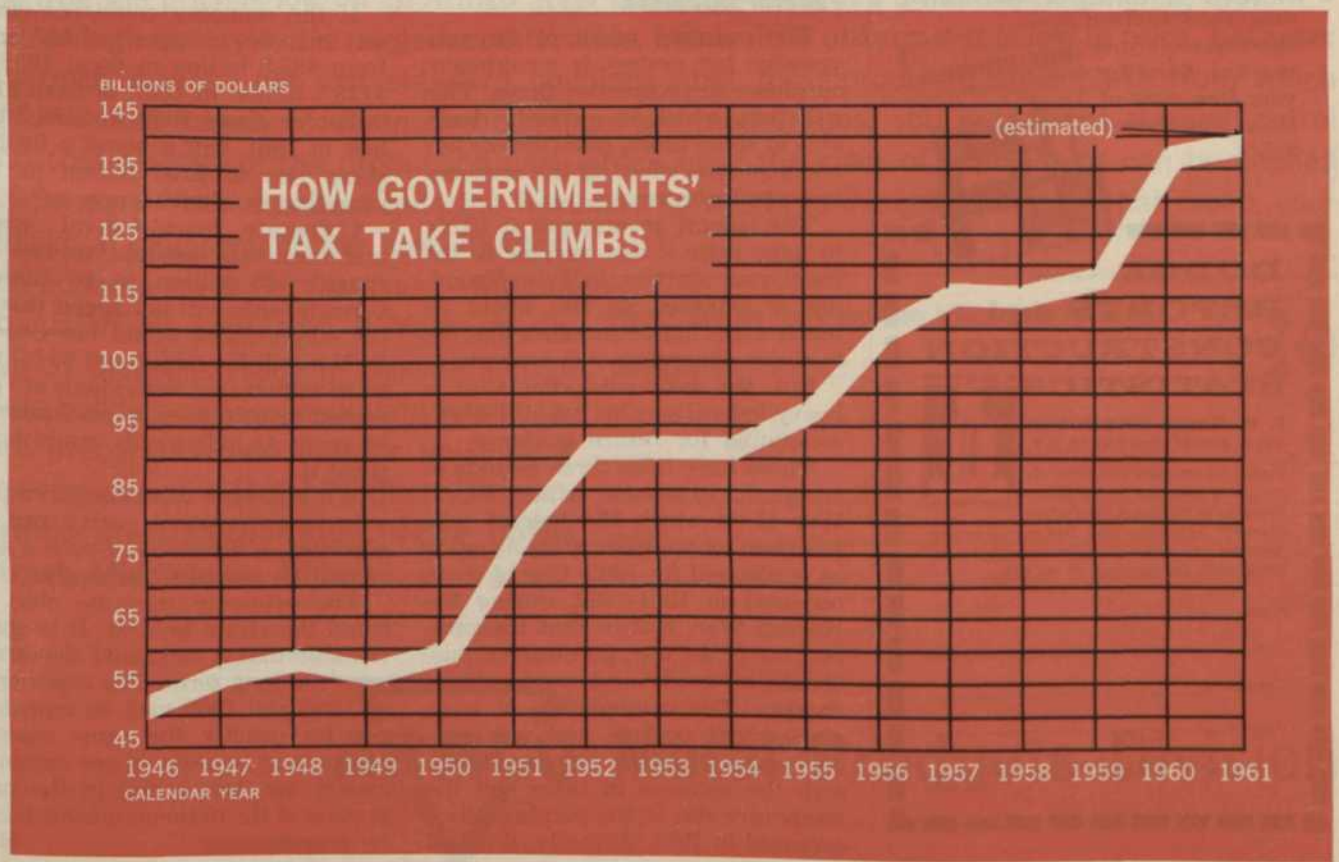
Our economy can stand modest shifts in the accustomed flow of funds or orders with little or no damage. If sales of durables drop because increased taxes have reduced the individual's purchasing power, but these sales are replaced by productive government spending, there may be only a slight interruption of employment and output.

But when, as in 1960 and now in 1962, a large proportion of governments' take does not replace the private spending it eliminates, the short run effects may be serious.

Easy money

If the Federal Reserve system liberalized credit enough, it could offset the federal tax take to some extent. However, low interest rates are attractive only if there is a reasonable expectation of gain from use of the borrowed money. Business expansion will be increased more in the long run through the prospect of greater after-tax profits than by the ability to borrow money cheaply.

In addition, credit manipulation is a delicate instrument, which must be used only after weighing its overall effects. Drastic lowering of in-



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LIMIT PROSPERITY

continued

terest rates in this country now would almost certainly aggravate the balance of payments problem. Investors would be likely to send their funds overseas where they would earn more interest.

Tax cuts

The logical and most productive way for governments to stop taking in more than they need is to cut taxes. But government hesitates to cut taxes when the budget balance is precarious and lacks interest in cutting taxes when the budget has a good surplus. So taxes rarely get cut.

With the exception of the 1945 reduction, the 1948 cut which helped check the 1949 recession, and the minor reductions which helped bring the prosperity of 1955, tax cuts have been almost impossible to achieve since shortly after World War II.

One factor that makes tax cuts difficult is the expansion of government programs. Federal purchases of goods and services for nondefense purposes total only about two per cent of the national income. But revenues used for defense and welfare and interest—minor matters in the 1920's—now exceed 20 per cent of the national income.

Federal surpluses

The eventual result of the progressive tax system is government surpluses in prosperous times. This situation, which is certainly desirable at some times, nevertheless has had a serious effect on the economy in some instances.

The federal government is likely to have little if any surplus in the fiscal year starting in July. Spending is expected to rise about as much as the higher revenues that the business expansion will generate.

But the economic effects of a heavy federal surplus are still worth examining for future guidance.

There have been three periods of economic expansion since World War II in which the federal take has risen by approximately as much as is planned for 1962. One of these occurred in 1951-1952, during the Korean War. But in that instance, because of the war, government purchases of goods and services rose sharply. The combination of large government outlays and war psychology enabled the economy to absorb the increase in taxes and the temporary rise in the surplus which occurred in 1951. Actually, if it had not been for the rise in taxes at that time, inflation would have been even more serious than it was.

The other two instances occurred in peacetime. The first was in 1956-1957 when the government take went up more than $20 billion. Government purchases went up only about $11 billion. The disturbance caused by the $20 billion increase in the take was not offset by the $11 billion increase in the outlay, and unemployment rose from 4.2 per cent to 6.8 per cent.

The last instance occurred in 1960-1961. Government cash receipts rose $21 billion in 1960-1961. Government purchases rose about $11 billion. Unemployment averaged 6.7 per cent in 1961. Again the economy could not stand the strain of this large increase in the government take, plus the other knocks it got.

The fact is that large increases in the government take have coincided, except for the Korean war, with high unemployment.

Governments' impact on the economy is much greater than indicated by the commonly-cited federal administrative budget of $92.5 billion. The cash take of federal, state and local governments exceeded $138 billion in 1961, excluding such items as the Post Office, Tennessee Valley Authority and some other agencies. When these are included, the total was about $170 billion, and may be more than $200 billion in fiscal 1962.

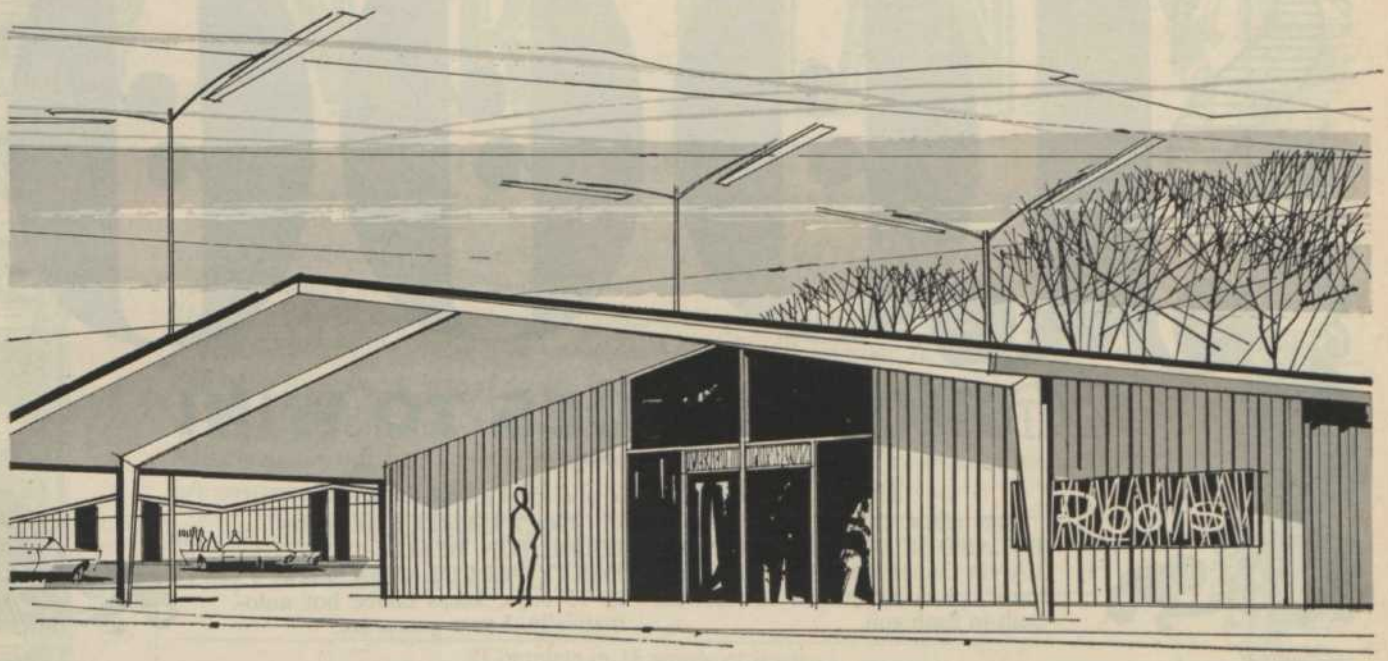
If the economy could not stand an increase in governments' take from $93.5 billion in fiscal 1955 to $113.5 billion in 1957, or from $117 billion in fiscal 1959 to $138.2 billion in 1961, can it stand a further sharp rise to $200 billion in the year that is almost upon us?

Corporate taxes—federal, state, and local—are forecast to rise by roughly $5 billion to $6 billion. Governments will not spend this as the corporations would have spent it. Nor will the additional $6 billion to $8 billion that individuals are expected to turn over to governments be spent as individuals would have spent it.

While a slow diversion from private to government outlay can be absorbed, a diversion of such a size cannot be digested promptly.

The economy may be able to stand the strain in 1962. It is questionable that it can stand the strain over the long term. The experience of 1958 and 1960 may be repeated, not for exactly the same reasons but in part because of one common reason—too fast a rise in the proportion of the national income taken by governments. **END**

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Dollar signs hide lagging profits

Earnings continue to shrink as production sets records

PREDICTIONS of a record dollar volume of business profits this year conceal some serious economic booby traps.

President Kennedy's budget anticipates that corporate profits, before taxes, will reach $56.5 billion, a rise of almost $10.5 billion from last year.

But if you look at the dollar volume alone, you may be misled.

Nobody points out that—

- The predicted dollar record will be only about five per cent higher than the previous peak in 1959.
- Profits have risen less than 10 per cent since 1950, while the nation's total output has almost doubled.
- Real corporate profits—in terms of what they will buy—have actually declined in recent years.

This lag in profits has persisted while everything else has gone up.

Between 1950 and 1960:

National income rose $175 billion —more than 72 per cent.

Wages and salaries increased $139 billion—or 90 per cent.

Profits after taxes went down—by 0.4 per cent.

Furthermore, inflation has eaten into the value of profits. Between 1950 and 1960 the purchasing power of profits after taxes actually fell by 17.4 per cent while the buying power of wages increased by 54.8 per cent. It is against this background that government policies and programs should be shaped.

President Kennedy's advisers are giving excessive attention to the anticipated rise in profits before taxes this year.

Such a gain, the President and his lieutenants argue, will make price increases unnecessary on steel, bread and other assorted products.

Washington is also counting on the 5.3 billion added tax dollars that higher profits would produce to help finance expanding and more costly government programs.

In addition to ignoring more important facts about profits, this kind of reasoning overlooks a more probable profit pattern. Unless something not yet foreseeable changes the cycle, even dollar profits are likely to rise vigorously for only a few more months, then climb more slowly, and finally level off.

This is not a new phenomenon.

Dr. Wesley C. Mitchell, a pioneer in business cycle analysis, noted in 1913 that, as expansion continues, costs increase, and profits decrease. Total profits thus reach a peak before the downturn in business.

A 1950 study by a staff member of the National Bureau of Economic Research substantiated the Mitchell findings.

It reported that the quarter in which the largest proportion of corporations had increasing profits occurred long before the peak of economic activity.

Findings confirmed

The profit trends following the 1954 and 1958 recessions verify these findings.

During the early part of 1954, corporate profits before taxes averaged about $33 billion at an annual rate. Starting in the fourth quarter of that year profits began to rise sharply. In 1955 they totaled almost $45 billion.

Business continued to rise in 1956, but profits leveled off. Then, in the second quarter of 1957, they turned down and reached a low annual rate of $32.7 billion in the first three months of 1958.

By the end of that year, profits were back to a rate of about $45 billion, and stayed there, except for a bulge before the steel strike and a dip afterward, until the 1960-61 recession. In this shallow slump, profits declined more slowly than in earlier postwar recessions, and spurted up faster after it ended. The gain from a $39.6 billion low rate in the first quarter of last year to $45.2 billion in the second quarter thus was misleading as evidence of future rates of gain.

The President's Economic Report estimates total before-tax profits last year at $46.2 billion, up from $45.1 billion in 1960.

Experience indicates that the rate of increase will become smaller and then level off as the recovery continues.

Instead of attempts to prevent price increases on the assumption that profits are adequate, constructive action to bolster profits after taxes is needed.

To allege that profits have caused inflation while ignoring the large gains in wages and nonwage benefits certainly tortures the economic facts of life.

Successful political pressure against price increases in the face of rising labor costs can only result in a squeeze on profits and a further decline in profit margins.

Modernization of the tax laws is the chief need. Treasury Secretary Douglas Dillon's promise to overhaul depreciation rules represents progress. It does not, however, eliminate the necessity of making permanent improvements in the basic laws.

The prescribed periods for writing off the cost of facilities for tax purposes are far too long. Plant and equipment become obsolete before they can be fully amortized. In addition, high corporate and indi-

vidual income tax rates discourage investment.

Such laws and policies reflect a misunderstanding of the role of profits.

Profits are the lifeblood of a dynamic and expanding economy. It is the opportunity to make profits that provides new job opportunities. Limited profits result in fewer jobs. The persistent unemployment which has properly caused public concern reflects primarily the failure to provide enough new job opportunities for our expanding labor force. Employment levels have been increasing, but not fast enough.

The relationship between unchanging profits and lagging job opportunities needs much more attention that it has been given.

Profits are a return for risk incurred. The greater the risk, the greater must be the opportunity for profit to induce new investment. There is no certainty that profits will be earned for any business—particularly new ones.

It is frequently forgotten that we have a profit and loss system. In every year many firms report losses. This is true in all years—good and bad.

On the average, slightly more than one out of three corporations usually reports no net income. Each year many of the firms which are started fail to survive. Those which do continue in business contribute to job opportunities and economic growth.

The profit visibility must be good if businessmen are to be induced to undertake new ventures.

Investment in plants and machines are the main source of the high American level of living. It is the lure of profits which induces the creation of the required tools.

A few figures will illustrate. At the beginning of the century the capital investment per worker in manufacturing was $1,880. In the first 40 years of this century the investment rose to $5,080. In the past two decades the capital invested per worker advanced to about $15,000.

During this same period the average factory worker's weekly pay rose from $9 to more than $90.

The reason is related to tools the worker uses. How did workers get these tools? The answer is found in new investments induced by the prospect of profits.

The prospect of profit is the greatest stimulus to production that has ever been devised.

—JULES BACKMAN
Research Professor of Economics
New York University

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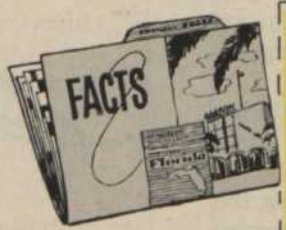
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HOW TO WEIGH IDEAS

Here are some tested, practical guidelines which will help you sort workable ideas from pipe dreams

BUSINESSMEN have long recognized that having ideas is not enough.

Somebody has to evaluate them.

Realization of the importance of this second step in creativity is growing along with the popularity of techniques for stimulating both groups and individuals to produce large quantities of ideas.

Some of the new methods can produce what seem to be mountains of ideas. Individuals are taking courses to improve their deliberate creativity and research shows that such courses can work.

But no idea is any good until somebody recognizes it and acts on it. Often a collection of ideas presented as possible solutions to a problem can become a problem in themselves: how to recognize the good from the bad; how to select the probables and possibles from the impossibles. This frequently involves determining if a proposed solution is really an idea at all.

Responsible advocates of deliberate creativity agree that not all ideas are necessarily good just because they are new. As an executive you have the responsibility to guard, not only your own time, but the time of others under your supervision as well as your company's money. Thus, a thorough evaluation of ideas is necessary if you want to avoid unprofitable pursuit of pipe dreams.

The first step toward a sound evaluation is to turn on your objectivity. Creative or imaginative effort calls for a suspension of judgment to a certain extent. But once you reach the stage of choosing between alternatives, you need judgment.

The most productive approach when considering one or two proposed ideas is to give them a rough or loose initial screening.

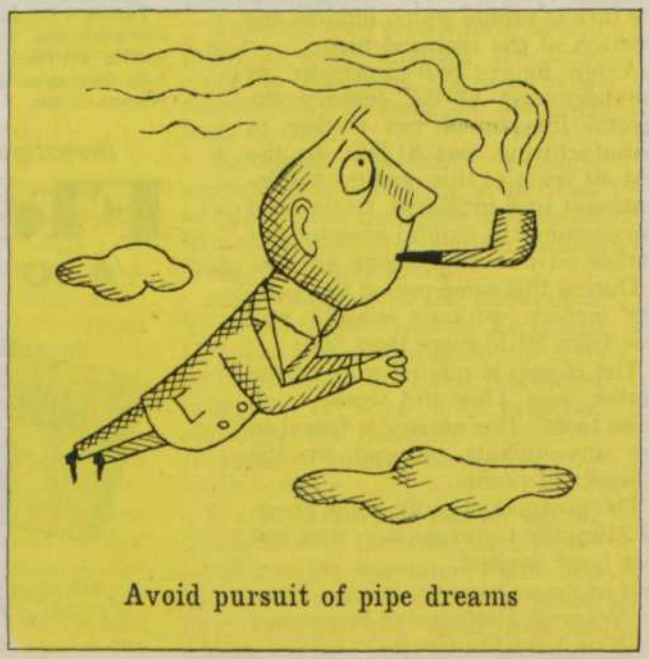
There is no universal formula for determining the best approach to this. The usual methods are compounded of common sense, intuition, good judgment, imagination and luck. Each executive will approach it from his own personal combination of these.

Prof. Leo B. Moore of the School of Industrial Management of the Massachusetts Institute of Technology suggests you confine your initial screening to deciding into which of these three categories each idea falls:

Simple. You can do it now without a great deal of expense or delay. Examples: ideas that would involve a simple movement or rearrangement of tools, or a simplification of some paperwork procedure.

Moderate. Ideas which could probably be accomplished in six months, with a reasonable outlay of money. Examples would be building new fixtures or jigs, or obtaining new equipment or special-order supplies.

Difficult. Ideas that could take a year or more to



Avoid pursuit of pipe dreams

accomplish. These might involve laboratory research, or a great deal of coordination among different departments, divisions, or company functions.

Another relatively universal method is to look at each idea in the light of the key values of time, money, acceptability, and human factors.

To measure an idea for time, you ask "How long will it take to put it into operation?" Then decide whether or not you can afford to wait.

Measuring for money: How much will it cost to carry out the idea? What is the possible gain if the idea is successful?

The acceptability measurement includes moral and legal considerations, along with such intangibles as desirability of the changes the idea will bring.

Human factors take into consideration the fairness and benefits that will accrue to the people concerned. Is the idea fair to all? Will it be of real benefit to the people involved? Ideas that call for changes in procedures, organization, duties, or responsibilities particularly deserve a great deal of thought in this area.

Neglecting to consider the reactions of the people affected has caused many an otherwise promising idea to fail.

Once you have given a list of ideas an initial evaluation, you can tighten up your judgment on the most immediate possibilities. Most business problems may result in at least two types of ideas—those that offer short-term solutions, and longer-term ideas that can be worked on more leisurely.

Love at first sight?

Don't let yourself fall in love with any one idea too soon. If you want to be methodical in considering alternatives, keep your objectivity until all the judgments and evaluations have been made.

Measure each idea against a common set of criteria. Depending on the needs of the situation, the criteria may be ranked or weighted for value, and some standards will then contribute more to the final decision than others. A typical list of evaluative questions, used without weighting, is this one favored by some parts of the U. S. Navy:

Will it increase production—or improve quality?

Is it a more efficient use of manpower?

Does it improve methods of operation, maintenance, or construction?

Is it an improvement over the present tools and machinery?

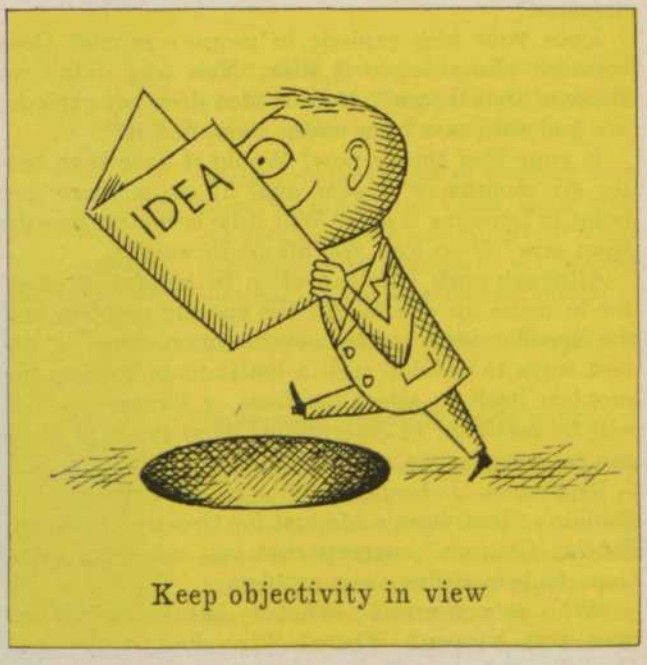
Does it improve safety?

Does it prevent waste or conserve materials?

Does it eliminate unnecessary work?

Does it reduce costs?

Does it improve present office methods?



Keep objectivity in view

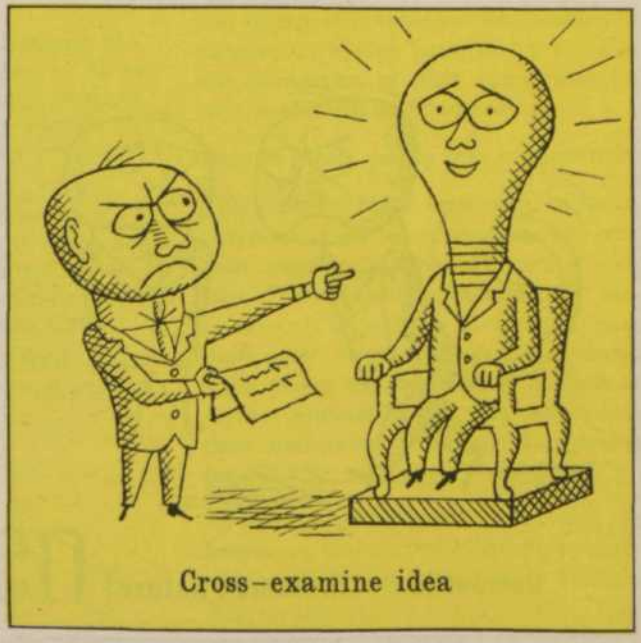
Will it improve working conditions?

If your answer to any of these is "yes," says the Navy, you've probably got a good idea.

Another useful, though less tangible, general criteria list that can help in judging ideas is this:

Is the idea simple? Does it seem obvious? Is it too clever? Too ingenious? Too complicated?

Is it compatible with human nature? Could your mother, or the man next door, or your cousin, or



Cross-examine idea

the service station attendant all accept it? Is it direct and uncomplicated?

Can you write out a simple, clear, and concise statement of your idea? Can you do this in two or three short paragraphs that people of average intelligence in the area of the idea's application can understand?

Does your idea explode in people's minds? Does someone else react to it with "Now why didn't we think of that before?" If your idea does not explode, are you sure you have really simplified it?

Is your idea timely now? Would it have been better six months or a year ago? If so, is there any point in pursuing it now? Will it be better six months from now? If so, can you afford to wait?

Although such lists can often be helpful, it's better to make up one to suit the specific problem and the specific ideas under consideration. One of the best ways to develop such a list is to go back to the problem itself to select the facts or limitations that will be pertinent in determining what types of ideas can be accepted as solutions.

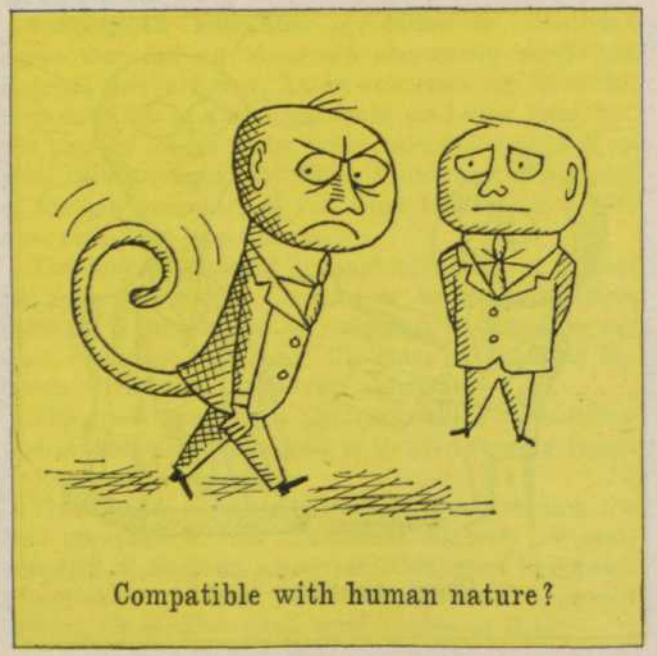
Dr. Sidney J. Parnes, author of the University of Buffalo's "Instructor's Manual for Creative Problem-Solving Courses," suggests that you ask these questions to help define your problem:

"Who is concerned? What is happening? When does this happen? Where? Why does it happen? How does it happen?"

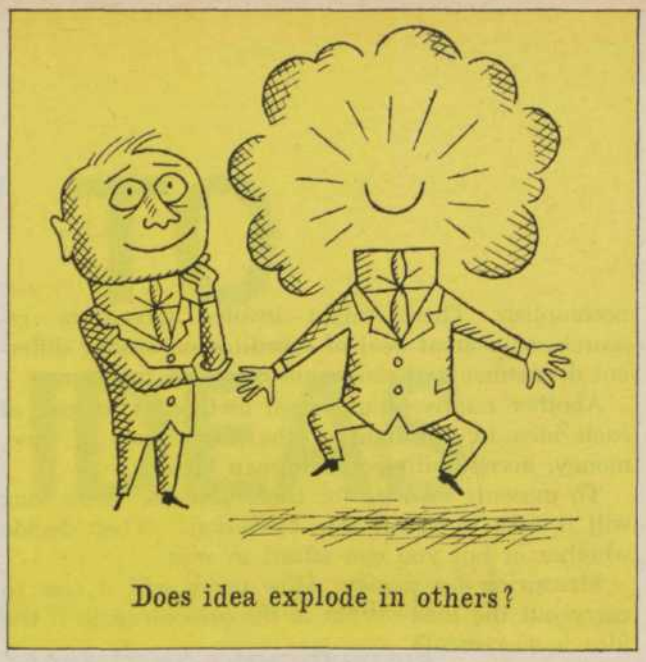
It is important that time and care be taken in answering such questions if a thorough problem definition is to be reached. The answers will also provide ready-made criteria for evaluating any eventual ideas.

A final step is to gain acceptance for your choice of ideas.

These steps are all considered parts of a whole and, while an occasional idea and obvious problem solution will pop to the surface early in the sequence, with difficult problems it is often necessary to follow through the entire series to arrive at a solution. When such a sequence is followed logically, methodically, and thoroughly, the task of evaluating the resulting ideas is made easier.



Compatible with human nature?



Does idea explode in others?

Management and ideas

This approach to evaluating ideas can be taken with almost any type of management problem. If it were the introduction of a new product, for example, the key facts on which to base evaluative criteria would likely be found in the analysis of the potential or suspected market and the product itself.

If the problem involves sales training, the facts would be found in an analysis of present sales objectives, realizations, competition, characteristics of the sales territories, and the quality of the salesmen under consideration.

A cost-reduction problem would have its criteria in the facts about actual costs, causes, opportunities for improvements, and what is known about present methods and proposed methods.

A production problem would reveal idea-judging criteria in the facts of the actual production operations, worker skills, equipment used, and the plant layout itself, together with what is known or suspected about a more desirable situation.

Making such an analysis for every problem is not easy. However, in the practice of deliberate creativity, it is usually done in the fact-finding stage—or, at least, it should be. The only additional step needed in attempting to judge ideas is to go back to your problem analysis and determine those areas that were identified as being important initially.

—JOSEPH G. MASON

REPRINTS *of "How to Weigh Ideas" may be obtained for 10 cents a copy or $7.00 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance.*

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Get the full story on how the CTP Computyper can smooth out *your* data processing problems. Call your local Friden Systems man, or write: Friden, Inc., San Leandro, Calif.

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Most important, this automation took place with addition of a few (sometimes just one) business machines priced within the range of any budget. Machines that were operated by regular employees without special training, without upheavals in either procedures or personnel.

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LAND CONTROL

continued from page 43

develop needed public facilities, including outdoor recreation."

An Agriculture Department report on which the President's farm message was based also spoke of the possibility of using the rural renewal authority to create industrial parks.

Congressional approval of the rural renewal program is considered likely because it holds out the prospect of federal dollars for hundreds of rural communities. The other land control ideas have not yet been formally presented to Congress.

So far the Agriculture Department has refused to estimate the cost of the rural renewal program. Advisers to Secretary Freeman are still talking in terms of beginning with pilot projects, and these probably would not cost more than $2 million or $3 million the first year. But it is quite possible that the program would soon demand as big a revolving fund as the $300 million depressed area loan fund Congress approved last year.

Persons concerned about the continued expansion of federal activities are already pointing out dangers in the program. Who would decide what land would be taken for rural renewal purposes? What would be the criteria? Could there be adequate safeguards against favoritism both in taking the land and in selecting those who would be allowed to purchase the consolidated holdings? How great would

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be the element of public subsidy in the development of industrial parks in rural areas?

In his farm message the President also asked Congress to enact "legislation to encourage a comprehensive survey of land uses, to undertake a research program on the conversion of land to alternate uses, and to initiate a series of pilot and demonstration land use projects.

"As the pilot plan is evaluated and a permanent program for land use developed," Mr. Kennedy added, "it will be possible . . . to place less emphasis on temporary diversion of acreage from the production of specific crops, and more on the permanent utilization of acreage to fulfill other public needs."

Programs would reach far

Governments, of course, have always had the power of eminent domain, and cities as well as some counties have exercised zoning authority for many years. But the proposed controls of land use now being discussed within the federal government go much further than any local plans or programs.

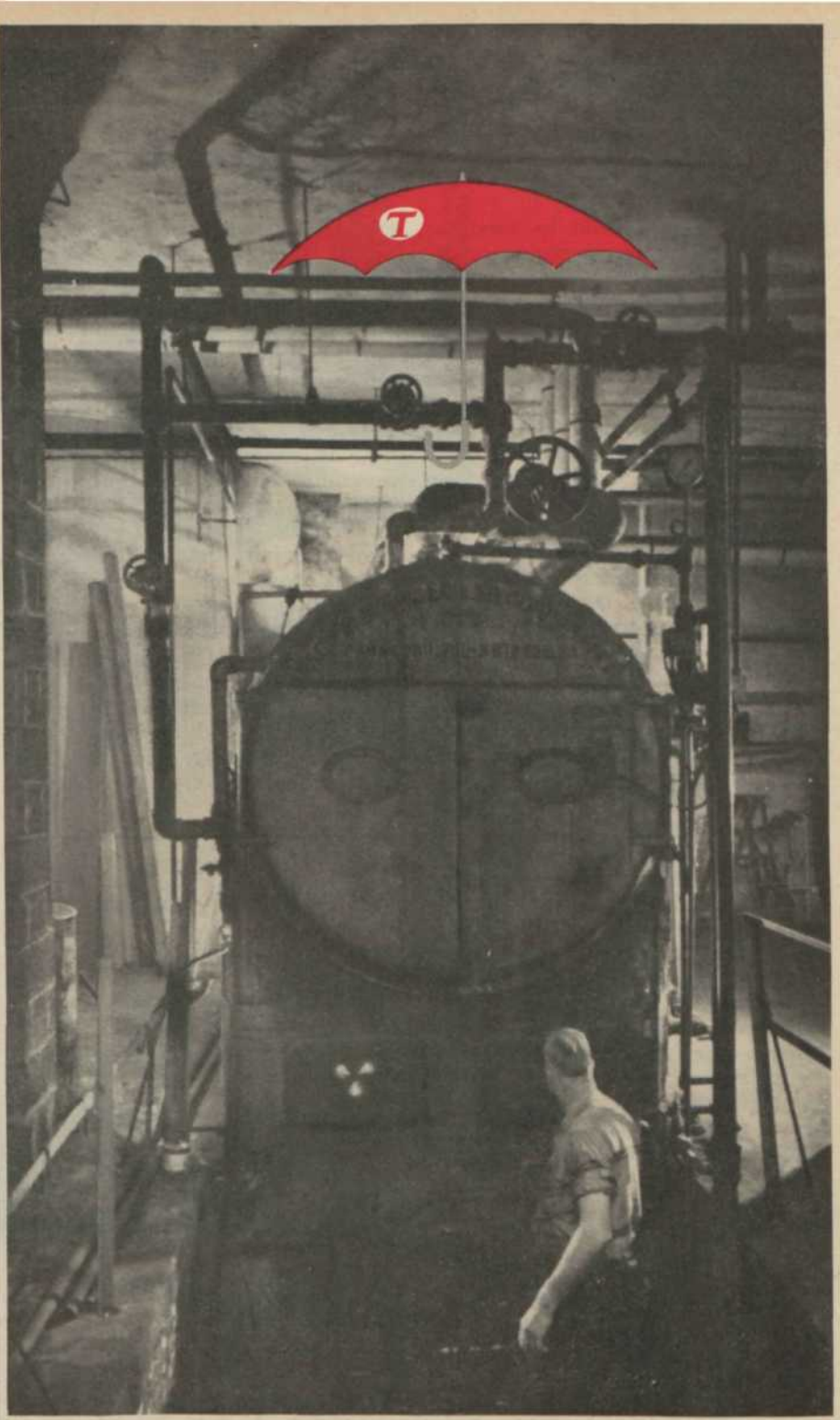
Secretary of Agriculture Orville L. Freeman first brought up the subject of land classification in a speech last year, but he did not go into details. The specifics were spelled out early this year in a thick report compiled by a group of Agriculture Department officials whom the Secretary had asked "to review the present and prospective land, forest and water resource situations."

The report noted that there is much "idle land and unused buildings on thousands of small tracts in low-income rural areas" and that "this situation calls for positive assistance in redirecting the use and management of the resources involved." The redirection, in effect, means a new government program, even though, as the report also noted, "many of these tracts are held as a form of security by families with insecure off-farm work."

The report went on to say that "other tracts that are virtually neglected provide residences for ex-farmers who are engaged in non-farm work or who are retired."

A rural renewal program presumably could even force some of these people off their acres in the name of more efficient land use.

The Agriculture Department advisers then showed how the 1.5 billion acres of farms, forests and grasslands of the 2.2 billion acres of land that make up the United



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LAND CONTROL

continued

States could be placed into eight classifications.

Class I land could be used for "cultivated crops, pasture, range, woodland or wildlife."

Class II land could be cultivated if owners followed "simple conservation practices."

On Class III, IV and V land owners would have to follow more and more restrictive conservation rules. On Class VI, VII and VIII land cultivation and other uses would be generally prohibited.

These classifications are defended as a mere extension of present conservation programs, but they go much further in the direction of government control than do any present programs.

Farmers are encouraged to participate in the current programs through federal payments given to them in exchange for good soil-building practices.

Such a classification system would inevitably raise the danger of arbitrary decisions. It is not always easy, for example, to determine by scientific means exactly how a specific acreage should be used. In rocky, hilly areas of West Virginia, eastern Kentucky and southern Illinois, for instance, some farmers make a good living on soil almost exactly like that cultivated by neighbors who are barely able to scratch out a living. The reason is, of course, that the abilities, knowledge and capabilities of farmers, like those of other men, differ considerably. It is almost impossible to reflect these differences in any government program.

Although Secretary Freeman has not yet adopted the land-classification idea, he has indicated his interest in greenbelts around major metropolitan areas. In a recent Chicago speech he suggested open spaces five to 30 miles wide ringing urban areas. Last year Congress established a pilot open-space plan as part of the federal housing program. The purpose is to help communities acquire park areas.

The classification program developed by the Outdoor Recreation Commission would divide the parks and other recreation lands owned by federal, state and local governments into six classes.

Class I areas could be "intensively developed and managed for mass use."

Class II for "a wide variety of specific recreation uses."

Class III for purposes that fit in with "a natural environment" such as a forest or a lake.

Class IV areas would be of "outstanding scenic splendor, natural wonder or scientific importance."

Class V "undisturbed roadless areas."

Class VI "sites of major historic or cultural significance."

The Interior Department's ideas about controlling the use of land have not been made formal, as have the proposals of the Agriculture Department. But some advisers believe that all conservation and land-use programs should be centralized. These advisers would rigidly control the use of much land because they maintain that America's resources have been endangered by indiscriminate use.

Is the United States running out of land—or of vital resources? Competent government as well as private studies indicate that there will be plenty of land for generations to come. There is much talk, for example, about cities, industries and highway programs gobbling up some of the best farm land. Actually, only one million acres a year are being converted from farm land to urban, industrial or highway uses. The Agriculture Department estimates that, over the next five years, only two million acres on which crops have actually been harvested in recent years will be taken over for urban uses.

What would happen to your business if the government blocked its future growth? Federal plan that would freeze output in a $10 billion industry is explained in article on **page 36**

Future urban needs

Urban areas now take up only 54 million of the 2.2 billion acres in the United States. These areas will need only 200 million additional acres between now and 1980.

Furthermore, Agriculture Department studies show that, if present trends continue, 50 million acres will be taken out of cultivation between now and 1980. This represents more than a 10 per cent cutback in crop land, which totaled 458 million acres in 1959 and is expected to total only 407 million in 1980. Farmers were using another 700 million acres for pasture, but no significant reduction in this acreage is forecast.

Fewer acres will produce more food—if not still more surpluses—because farmers will continue to take advantage of better varieties of crops, improved fertilizers and more efficient farming methods. Farmers, for example, use twice as much fertilizer today as they did before World War II. The use of farm labor has declined by nearly one third in the same period.

America's land resources thus remain enormous, and federal land holdings are already immense. The federal government still owns about one third of all the land in the United States. Nearly all of this is in the West and in Alaska, and millions of the underdeveloped acres are suitable for recreational uses. Federal land holdings total 765 million acres. State and local governments own another 121 million acres.

In the East, there is still plenty of land, despite some alarmist outcries that the eastern seaboard is turning into one vast city. West Virginia, for example, offers thousands of acres that could be developed for hunting, fishing and camping, and are easily accessible to residents of the eastern states.

Nor are land and resources being misused today as they sometimes were in the past. Most lumbering companies practice sustained yield forestry. Many of them also invite the public to picnic and even to hunt and fish on privately owned timber lands.

Strip mining operations now generally include tree-planting and other programs to heal the scars left by the coal extraction process. Farmers, too, are more conservation-conscious than ever before.

The record of recent years shows that most Americans are recognizing the need for good land conservation practices.

The facts as developed by the Agriculture and Interior Departments themselves indicate enough land is available for Americans to use as they see fit and there is no need for the federal government to fence in Americans. **END**



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THE VOICE OF BUSINESS

In the main, the job of the Government, under the Constitution and the Bill of Rights, is to govern the country in such a way that the people will be creative, productive—and free.

To do its job properly and well, the Government needs the help and cooperation of business.

It needs the wisdom and opinions of business on national issues and legislative proposals.

It needs the reasoning of business toward the solution of national economic problems.

On matters of national concern, therefore, the business community must be able to express itself with a firm, clear and assured *national voice*.

What does this require?

WHAT DOES IT TAKE TO SPEAK WITH AUTHORITY?

What does it take to serve as the national voice of business—and to speak with authority?

To begin with, it takes a national organization.

But more than that, it takes a national organization which represents *all* business and industry, large and small, and every section of the country.

The organization which speaks nationally for business must be in constant two-way communication with its members.

It must be set up to determine accurately—by democratic processes—the majority opinion of its members on current issues.

It must reflect precisely what the majority of its members recommend should be done.

Such an organization is the Chamber of Commerce of the United States—the National Chamber.

FIFTY YEARS IN DEVELOPING

The National Chamber has been in the making for 50 years.

This year, 1962, the National Chamber celebrates its Golden Anniversary* by being larger, stronger, better organized, more dynamic, more forward-looking, and more positive and effective in its actions than ever before in its history.

THE STRENGTH BACK OF THE NATIONAL CHAMBER

Today, the National Chamber is composed of: more than 3,700 affiliated organizations—local, state and regional chambers of commerce, and trade and professional associations; and more than 28,000 business firms, corporations and individuals.

The National Chamber has an underlying membership of more than 3,000,000 local business and civic leaders, the men and women who belong to its affiliated organizations.

THE BASIC AIM OF THE NATIONAL CHAMBER

In its increasingly important role these days—and in its increasing strength—the National Chamber seeks only to make known to the Government and to the public the views of business on national issues, national developments and national trends, for the long-range good of the country—and for the greater good of all.

WRITE FOR INFORMATION

If you are a businessman or a professional man and are interested in becoming a member of the National Chamber, and having a part in advancing its work as the national voice of business, write for further information.

CHAMBER OF COMMERCE OF THE UNITED STATES

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**The National Chamber's 50th Annual Meeting will be held in Washington, D.C., April 29 to May 2. You are cordially invited to attend.*

GOALS OF THE NATIONAL CHAMBER

These are the goals of the National Chamber. These are the reasons for the National Chamber's existence. These are the things which the National Chamber works day-in and day-out to accomplish:

1. To strengthen and improve the competitive enterprise system.

2. To keep the economy dynamic and expanding—to create new job opportunities—and to raise the level of living of the American people.

3. To preserve our representative form of government, with proper checks and balances, and with limitations on its powers.

4. To encourage the solution of local and national problems through voluntary organized action, and thus to remove excuses for intervention by the federal government.

5. To reduce non-essential government spending.

6. To halt inflation by getting rid of the causes of inflation.

7. To equip and encourage businessmen and others to be better informed, more active and more responsible citizens.

8. To emphasize the worth and dignity of the individual.

9. To advance the political and economic interests of the United States in world affairs.

10. To keep the country productive and strong against the threat of war.



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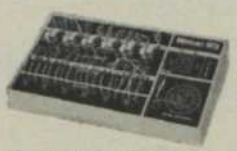
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HEALTH TAX WOULD BUY DISAPPOINTMENT

Millions ignored in social security proposal

ANYONE who is depending on the government plan to meet health costs for himself or his aged relatives through new social security taxes faces disappointment.

The plan would pay at most about 19 per cent of the costs of health care for the aged, according to estimates by the Department of Health, Education and Welfare.

The reasons are plain when some vital questions about the measure are answered:

Who would be omitted?

About 3.5 million of those now 65 and older.

The program will cover only those under social security or Railroad Retirement who are at least 65, whether retired and receiving cash benefits or working full time.

What services are omitted?

The plan would not pay for a physician's calls at home, in his office or in the hospital. It would not pay for surgery, dental care or medicine and drugs outside the hospital or nursing home.

What services are provided?

In any one year, the plan would pay for 90 days' hospital care, but only after the patient had paid $10 a day for the first nine days of his stay. Statistics show that hospital stays of 3.8 per cent of those 65 and older average one day; 37.4 per cent average two to seven days; 29.7 per cent stay eight to 14 days; 18.7 per cent stay 15 to 30 days; 9.8 per cent stay 31 days or longer. The plan would also pay for 180 days in a nursing home or 240 visits by a visiting nurse.

What would the plan cost?

The first full year of operation would cost about $1.1 billion, according to HEW estimates based on a limited sample. Using actual claim experience, the Health Insurance Association of America estimates costs at double that figure. The Association believes costs might eventually reach $6 billion to $7.7 billion a year.

Most of the costs would be met by increasing both the taxable wage base and the tax rate on all workers and employers under the programs. The base would be upped from $4,800 to $5,200 a year. The rate would be increased one fourth of one per cent on both the employer and the employe.

Social security taxes will increase 54 per cent by 1968 under present law, even without the new levy, just to pay cash benefits already promised.

How would the plan work?

The Secretary of Health, Education and Welfare would make contracts with providers of health services. These contracts would call for reasonable charges. "Reasonable" is not defined.

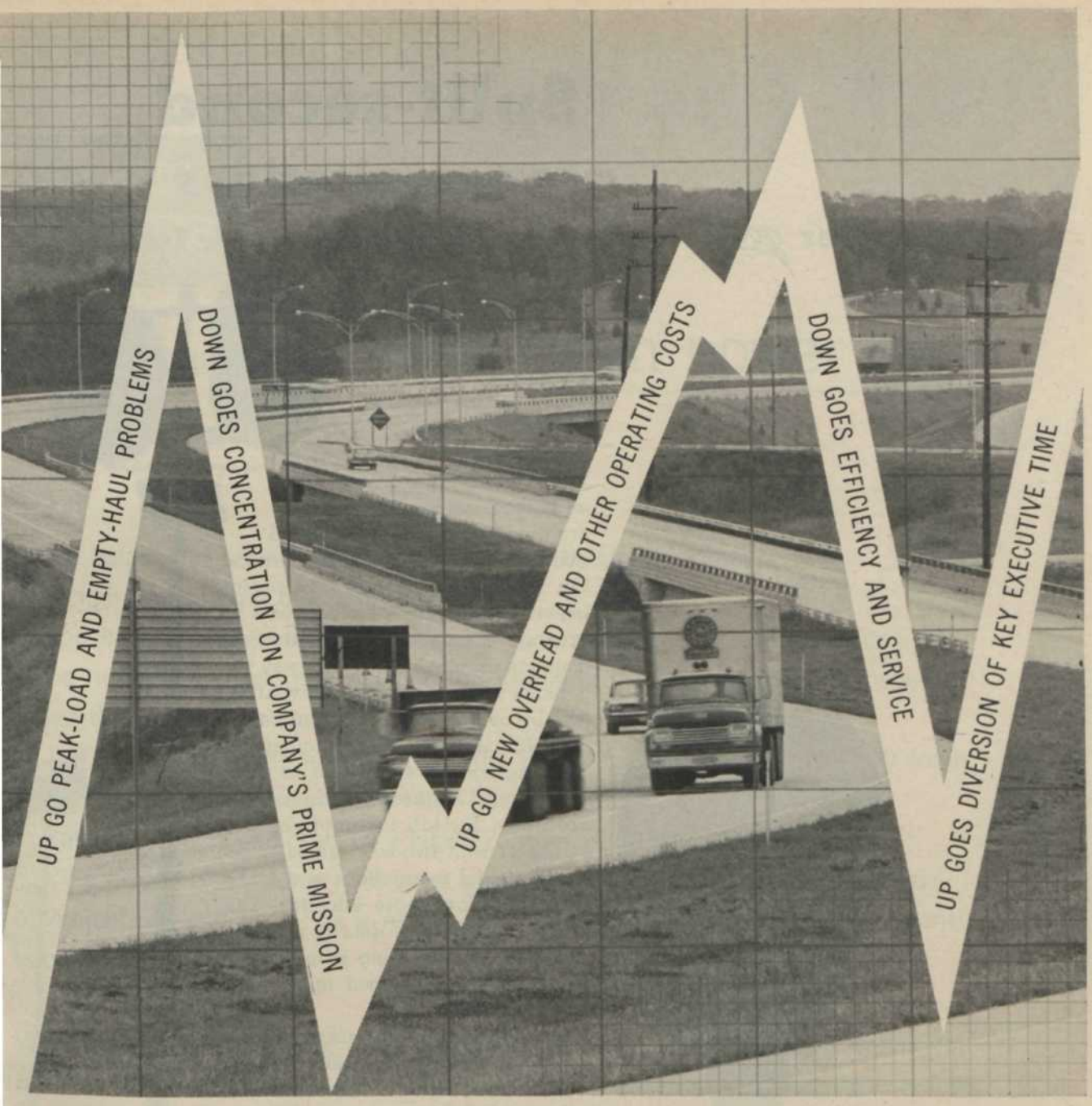
Is private insurance available?

The proportion of the aged population with health insurance has increased from 26 per cent to 50 per cent in the past eight years.

Private initiative and private voluntary effort are rapidly devising new methods of mass enrollment of the aged in health insurance plans.

Under these new techniques each aged citizen can now buy the kind of guaranteed-renewable protection best suited to meet his own personal and family needs—without physical examination.

In 1970, approximately 21 million persons will be 65 or older; 13 million of these, however, were aged 55 to 64 in 1960. These newcomers to the aged population will retire after 15 to 20 years of high-paid employment. The vast majority will carry health insurance with them into retirement. **END**



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SPECIAL LETTER

NATION'S BUSINESS EDITORS REPORT ON: Brain power race

Is the balance of brain power tipping against the United States?

A high Washington official says it is.

The basis of his conclusion is a new federal survey. It shows we have the same number of freshmen engineering students this year as last. We have 100 fewer than two years ago.

The decline amounts to 15 hundredths of one per cent. For every 700 freshmen two years ago there are now 699—hardly a catastrophic plunge.

Yet the drop is deplored by a New Frontier official who declares:

"We are on dead center. We must get moving in this field and other fields of education—and soon. As a nation we can afford a far greater commitment to education at all levels."

* * *

Whether Russia is training more engineers than we are depends on definition. Besides engineers, we are graduating tens of thousands in biological sciences, business, commerce, mathematical and physical sciences, teachers of science—to name a few who, in Russia, would be called engineers.

Communists are fond of such words as scientific, research, engineering. They use such terms extensively to describe work we in the free world call plumbing, clock-making, bread-baking, and the whole range of vocational occupations.

* * *

An ambitious Russian youth may win his engineering degree from the All-Union Scientific Research Institute for the Cake, Cooky and Candy Industry.

Other engineers graduate from the Institute for Rabbit Breeding and Fur Farming.

For the communist youth so talented there's an engineering degree at the Institute for Bread-baking. Energetic Russian youths may become graduate

engineers of the All-Union Scientific Research Institute of the Alcohol and Liqueur-Vodka Industry.

There's also a Scientific-Research Institute for Toys.

* * *

Communist educators concentrate on narrow specialization. One engineer may graduate from the Institute for Sea Fisheries, another from the Institute of Pond Fisheries.

These are different fields of study and one Soviet engineer is no more conversant with the other than he would be with nuclear fission.

About half the Russian students complete their education by correspondence courses or evening class work.

Most engineers never work as engineers. Managers are picked from the graduates of the so-called engineering schools.

* * *

In U. S. engineering schools—if you look beyond the fractional fluctuation in freshmen enrollment, which is obviously not a long-term trend—we have 272,800 young Americans working for degrees.

The number studying for master's degrees is more than five per cent higher than a year ago.

The number working toward doctorates in engineering is up 22 per cent since last spring.

* * *

Educational attainment in this country is more than three times that of Russia.

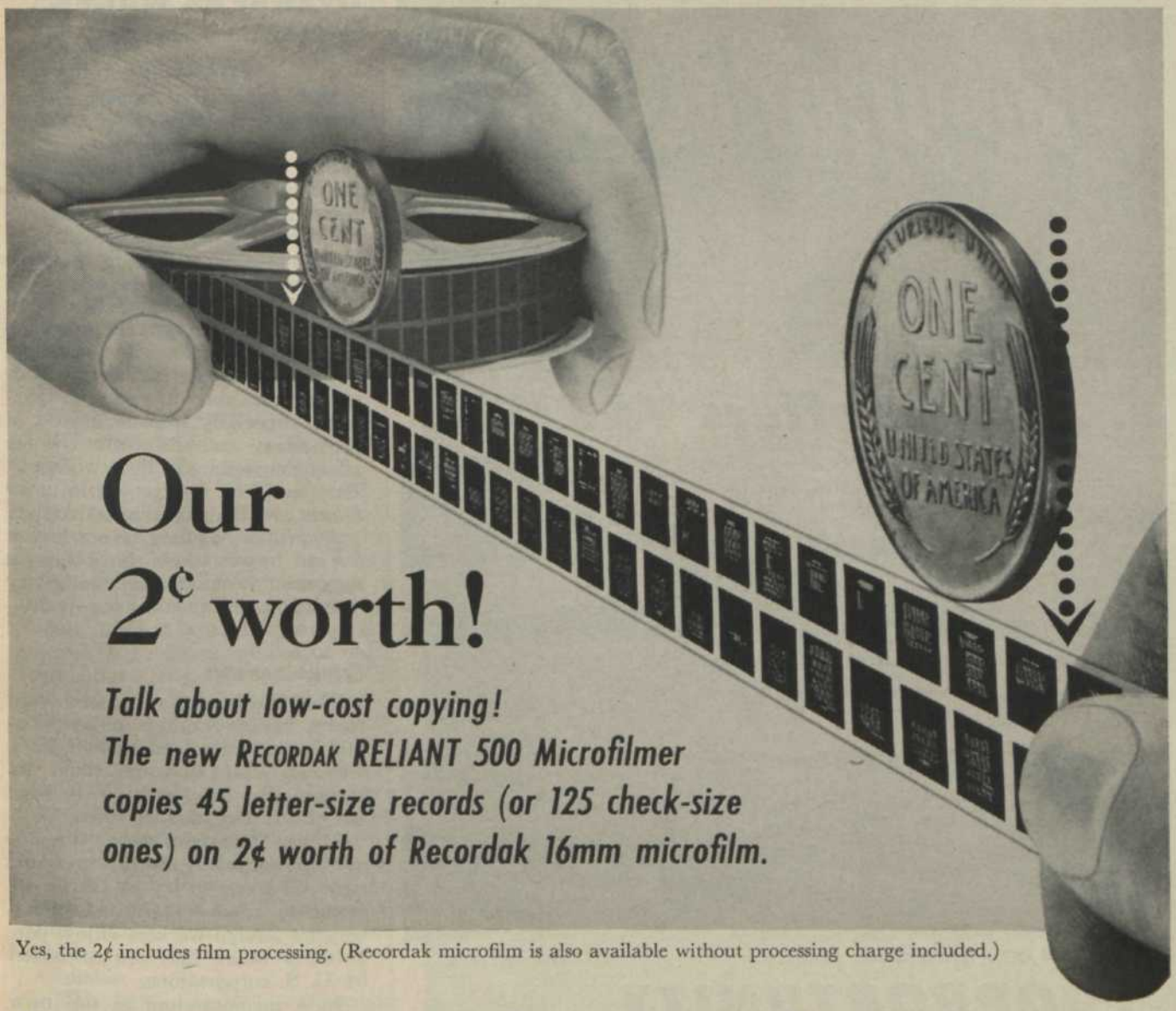
The gap is widening significantly in our favor. Three quarters of the Russian people have less than a seventh grade education with little chance of getting more.

We have more than 8.5 million college graduates working productively in this country. Around half a million degrees will be awarded next June. By 1980, according to another of those federal surveys, America will have 15 million college graduates (and nearly 100 million Americans will have high school diplomas).

Russia today has fewer than 3.8 million.

We have almost that many women college graduates.

There's a likelihood that American women graduates—alone—may soon exceed both men and women degree-holders in Russia.



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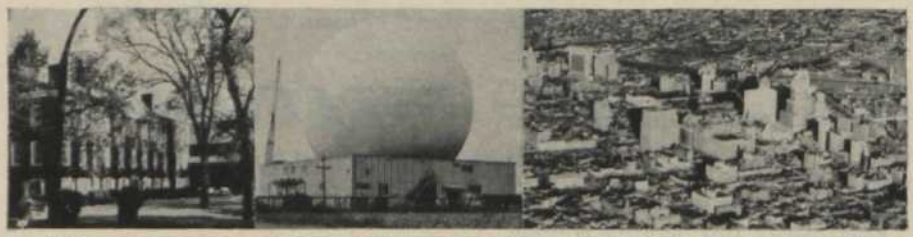
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TAXPAYING SERVANT OF A GREAT STATE

OVERSEAS WAGES

continued from page 35

would supplement reports which GATT now requires on what member countries are doing to reduce tariffs and those the Organization for Economic Cooperation and Development gets on what countries are doing to encourage growth.

Among other points in the Reuther resolution is one which would require employers to provide full information and bargain with the union representing its employes whenever they are planning "major production and investment decisions, especially transfer abroad of production establishments, which affect the welfare of their workers." This could be interpreted to cover almost any major business decision.

American business favors higher foreign wage levels but believes they should come through voluntary rather than legislative or regulatory methods.

Fringe benefits

The Steelworkers contend that many foreign workers enjoy more and larger fringe benefits than U. S. workers, and that in some instances they may completely wipe out the differential in wages.

Meyer Bernstein, USW's director of international affairs, says his union is going to try to get for its members some of the additional benefits foreign workers enjoy, particularly where they are employed by U. S. corporations.

In a memorandum to top USW officials, Mr. Bernstein cited benefits which a U. S. steel company provides for its employees in South America. Most of them are required by law there, but Mr. Bernstein contends that the company gives more than is legally required.

The South American steel worker's daily wage is less than half that of a U. S. steel worker, but Mr. Bernstein says he gets many extra fringe benefits such as:

Full pay for seven days a week, although he works alternate five and six-day weeks; year-end profit-sharing bonus of 60 days' pay; 30 days' paid vacation, leave with pay to attend union conventions. Members of union committees get full pay and $24 per diem during contract negotiations.

A number of other fringe benefits were reported at a Paris conference of union leaders from 14 major automobile producing countries.

Japanese delegates mentioned housing, meals, work clothes, lump-

sum pensions and cultural facilities.

Austrian workers reported a monthly rent allowance.

In France and Italy employers pay a payroll tax of approximately 15 per cent which finances a family allowance system.

The automotive conference recommended that the International Metalworkers' Federation arrange for the documenting of collective bargaining information on a corporation-by-corporation basis and that a plan be prepared for giving technical assistance to unions in underdeveloped countries.

Technical assistance

The Steelworkers work closely with their foreign counterparts.

Two years ago they answered a plea from Tekko Roren, the Japanese steel union, for information on how to shut down a steel mill without causing costly damage to the equipment. There had been no steel strike in Japan because of the belief that serious equipment damage from a stoppage was unavoidable. At that time USW sent two experienced men who had recently participated in a 116-day steel strike.

This year Tekko Roren was negotiating again with the Japanese steel industry and this time asked for assistance of a different kind. The Japanese union wanted advice on: 1, How to cope with the industry's demand for a job evaluation study, and, 2, bargaining strategy. Again USW made two men available.

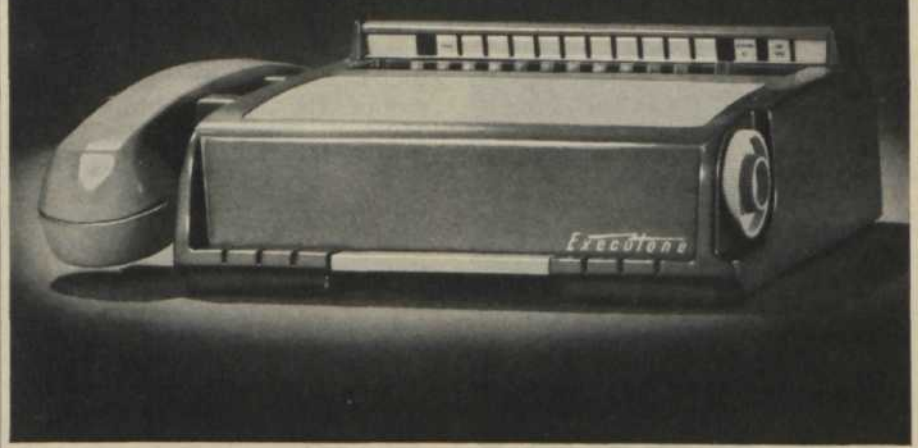
The battle against communism has long been a major reason for American labor's interest in improving the standard of living of foreign workers.

"We must all become salesmen for the democratic way of life," says Joseph A. Beirne, president of the Communications Workers of America, whose union is little affected by foreign competition.

"Any wages or working conditions we may win in our own country will be meaningless if we either become involved in a third world war or lose the battle for democracy," he says.

The CWA is a member of the Postal, Telegraph and Telephone International, with which unions in 64 countries representing two million members are affiliated. Like the International Metalworkers' Federation, PTTI is one of 19 international trade secretariats through which unions try to cope with industry problems on a world basis. They are not affiliated with each

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OVERSEAS WAGES

continued

other, but all have informal relations with the International Confederation of Free Trade Unions, headquartered in Brussels. The ICFTU is made up of 137 labor organizations from 107 free countries with 57 million members.

Training institutes

A major contribution of CWA to international unionism is the establishment of a Trade Union Training Institute at the union's training center at Front Royal, Va., to help PTTI's education program.

Union leaders from Latin American countries spend three months at the Institute learning to be teachers. They return to their countries usually to head up their union's education department.

The CWA is one of four U. S. unions which run teacher training courses as part of an internal union development program.

The parent AFL-CIO is now starting a larger labor-management program for training Latin American union leaders similar to CWA's. It has set up a foundation, the American Institute for Free Labor Development, which will be financed by contributions from unions, employers and public groups. Its aim: To bring 100 to 150 Latin Americans to the United States each year for intensive training in union leadership. They will study here for three months then spend nine months setting up training programs at home.

The AFL-CIO has put up planning money. Both union and business representatives make up the board of trustees. Joseph P. Grace, Jr., president of W. R. Grace & Co., is chairman; George Meany, president of the AFL-CIO, vice chairman.

Organizers

Two districts of CWA, covering the North Central and Far Western states, are financing the cost of native union organizers in Ecuador and Colombia through monthly contributions. The CWA refers to it as "Operation South America," and claims it is in the spirit of President Kennedy's Alliance for Progress program.

The purpose is "to help struggling unions survive the triple threats of weak economies, unstable political regimes, and the groundswell of communism in Caribbean, Central and South American countries," according to officials of the union.

International solidarity

An example of international union cooperation is cited by the Retail Clerks International Association. This American union joined the International Federation of Commercial, Clerical and Technical Employes in 1952 but did not become really active in it until five years ago.

At that time the international trade secretariat decided to move into underdeveloped countries. The Swedish affiiliate donated funds for activity in South America.

Then RCIA offered to assist in Latin America and put one of its men in Lima, Peru, to work full time as a Latin American representative of the international group. It placed another man in the headquarters in Amsterdam. Both men are on the RCIA payroll.

Two years ago when RCIA called a nationwide consumer boycott against an American retailing chain which the union felt used unfair tactics in opposing unionization, it asked International Federation of Commercial, Clerical and Technical Employes for assistance.

The trade secretariat notified all

Reuther on socialism

The following exchange took place at last year's Nineteenth Congress of the International Metalworkers' Federation held in Rome:

Claude V. Berridge, member of the Executive Council of the Amalgamated Engineering Union in Great Britain: "He (Mr. Reuther) makes no mention of socialism as the ultimate objective of the international labor movement, the need for us to dispossess the exploiters of labor. If this is not our object, it seems to me that we will forever be subject to the contradictions of capitalism and all that it implies."

Walter P. Reuther, president, United Automobile Workers in the United States: "We in America are very pragmatic . . . Our attitude to socialism is that the form of struggle must reflect the particular country's development. In America our belief is that, with the Democratic Party, greater progress can be made. Sometimes I criticize the Socialists as too conservative."

affiliates of the United States boycott, urging similar boycotts of the chain's stores which are operated in Latin America and Australia. Unions in countries where the chain has no stores were urged to write protest letters to company officials in the United States.

When the chain opens stores in the Common Market countries in Europe, as it plans, IFCCTE's affiliates there will register protests against the chain, RCIA's director of international affairs, Gerard P. O'Keefe, predicts.

Other international efforts to harass the retailing firm were made last year and were carried right up to the White House. Then RCIA learned from its man in Peru that the chain had been selected to represent American retailing at the International Trade Fair there.

Mr. O'Keefe told NATION'S BUSINESS that the union protested to Secretary of Labor Arthur J. Goldberg and Secretary of Commerce Luther H. Hodges and RCIA President James A. Suffridge discussed the matter three times with President Kennedy, without success because of irrevocable commitments.

Then RCIA sent 300,000 pieces of literature attacking the chain to the IFCCTE affiliate in Peru which distributed it and also picketed the fair the entire 16 days it was open. According to Mr. O'Keefe, this is the first time pickets were used in a labor dispute in Peru.

Public employe strikes

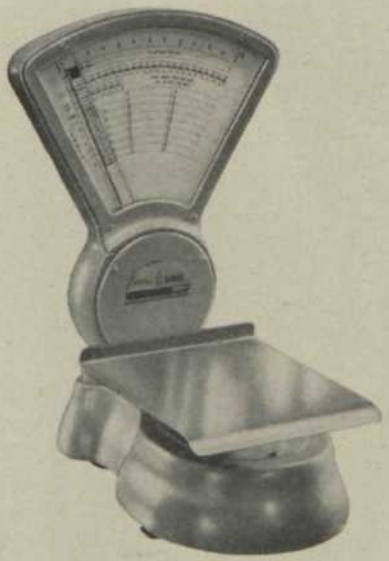
The American Federation of State, County and Municipal Employes is taking action in the Public Services International to help strengthen the status of government employe unions everywhere.

It finances and operates a Western Hemisphere office for PSI in Panama, with one of its representatives in charge. He directs PSI activities in this hemisphere, keeping in close touch with local unionists and public authorities on problems of legislation, unionization, education and union consolidations.

This labor organization's major objectives are to win for public employes the right to organize and bargain collectively and remove any legal restrictions on their right to strike. In the United States, where most public bodies recognize unions and the federal government has recently enlarged their bargaining rights, AFSCME is attacking no-strike restrictions. It considers it imperative that no-strike laws in 10 states be repealed. **END**

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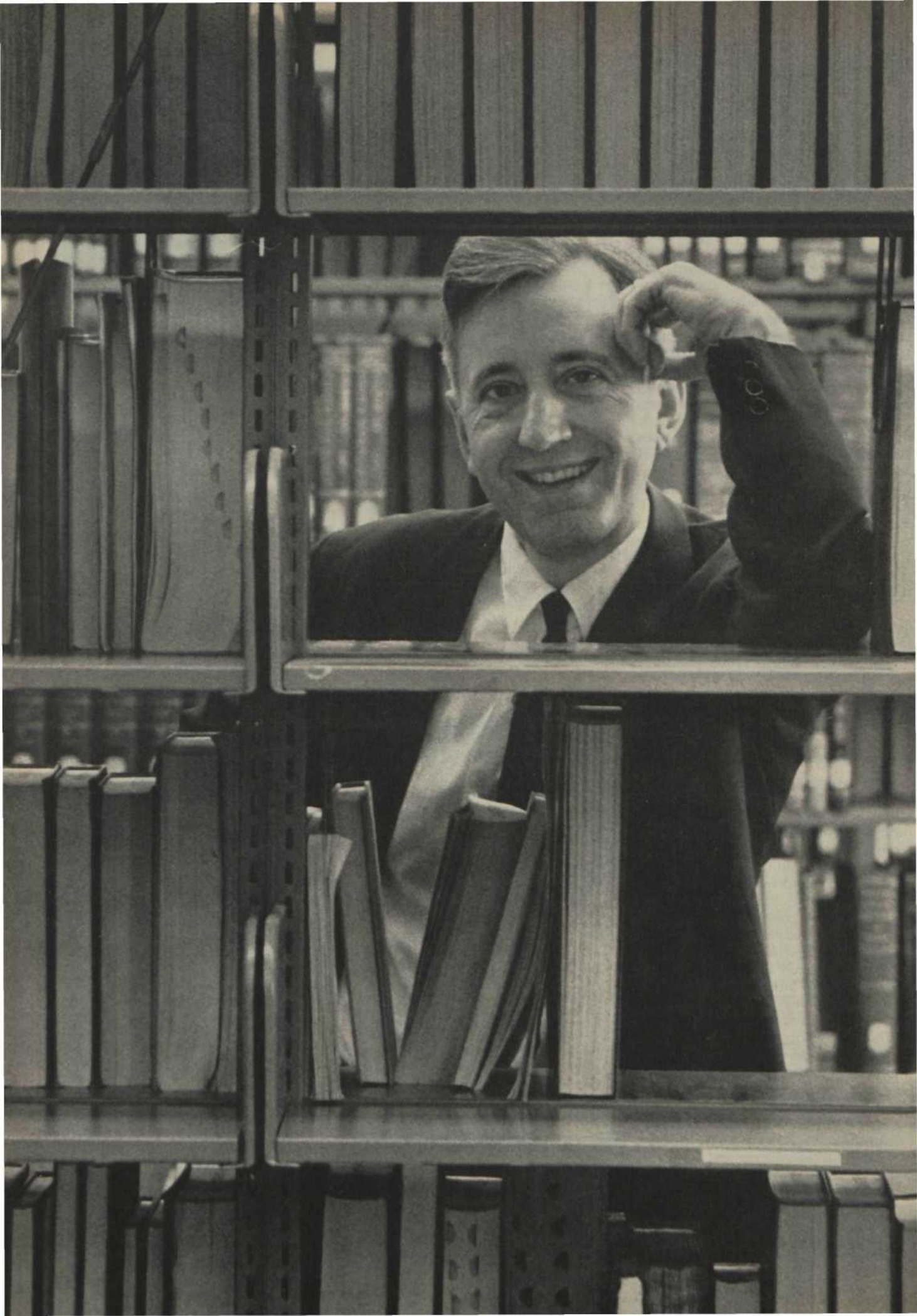
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Dr. James E. Birren, research psychologist at the National Institute of Mental Health, tells how you can

KEEP YOUR MEMORY YOUNG

Three steps will improve your mental filing system

YOUR MEMORY is like a vast filing system. It will serve you well—at any age—if you do these three things:

- Organize your mental files in a logical rather than a haphazard fashion.
- File each item carefully, with adequate cross-indexing.
- Learn to look in several file drawers, not just one, when you're searching for a lost item.

This advice comes from Dr. James E. Birren, research psychologist who is chief of the Section on Aging at the National Institute of Mental Health, Bethesda, Md.

In his studies of aging, Dr. Birren has become especially interested in the problem of memory fade-out. He has conducted a number of scientific experiments that test the popular notion that human beings inevitably become more forgetful as they grow older.

His conclusion from the research of many laboratories is that a small minority of people—about five per cent—do experience an organic deterioration of the brain which has a serious effect on memory, and which cannot be overcome by mental habits or activities. In a few cases this may become noticeable in the late fifties, but it usually is not significant until the late sixties or seventies. Arteriosclerosis (hardening of the arteries) and some other diseases, including advanced alcoholism, may hasten the process.

"The other 95 per cent," Dr. Birren says, "will experience some change in memory as they grow older, but for the majority it will not be so great that it cannot be offset by better methods of filing and search."

Dr. Birren has several practical suggestions on how to improve your own methods of filing and search. But to profit from them, it is necessary to understand what memory is, and how it works. Most of us have picked up a tremendous amount of misinformation on this subject. Mistaken ideas may cause you to worry needlessly about your memory slipping when it is, in fact, serving your real needs efficiently.

Modern psychological theory emphasizes that memory is inextricably tied to learning. The layman may think it is simple enough to differentiate between them: Learning is the acquisition of knowledge, memory is the storage of knowledge. But it is actually difficult to tell where one of these mental processes ends and the other begins. You remember only if you have learned, and you cannot be said to have learned a thing until you have stored it in your memory.

Many psychologists try to avoid a false distinction between learning and memory by speaking of a three-stage process: registration, retention and recall. In this concept, the first stage, registration, includes all of the mental activity involved in acquiring a piece of knowledge and committing it to storage.

The storage may be temporary or permanent. One

PHOTO BY YOICHI OKAMOTO

KEEP YOUR MEMORY YOUNG

continued

of the most significant discoveries of recent psychological research is that the brain uses entirely different processes for short-term and long-term retention of knowledge. A large number of human and animal experiments shows that it requires an expenditure of electrical or metabolic energy to remember something for a short period of time. In other words, short-term retention is an active state of the brain.

Some researchers believe that the physiological process is comparable to a reverberating electrical circuit.

At some point—and tests indicate it usually happens within one hour—the memory is either transferred to permanent storage, or it disappears. Permanent storage requires very little or no energy.

It is practically an inert state and apparently involves minute structural changes in or near brain cells. In other words, to retain a memory for longer than an hour or so, it must literally be imprinted on your brain.

Since the brain has billions of cells, its capacity to absorb such imprints is incredibly great.

You need never worry about learning so much that you will run out of room in your mental filing cabinets.

Once an item goes into permanent storage, it's there for keeps. The brain just goes on adding new filing cabinets.

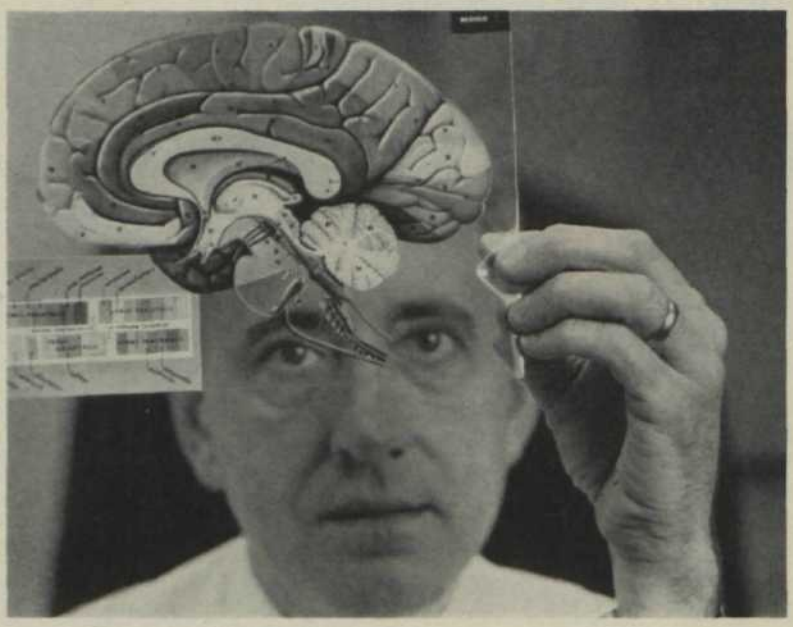
Organize your files

Here we come to one explanation for many of the memory troubles which people experience during and after middle age. Their filing systems have become so huge that they have difficulty occasionally in laying hands on a particular item in a hurry.

This difficulty should be recognized as a natural result of maturity and intelligence, rather than bemoaned as a sign of old age. But even when viewed in this light, it is still a vexing handicap, and it is comforting to know that you can do much to overcome it merely by instituting what Dr. Birren calls "better methods of filing."

Specifically, as you grow older, it is increasingly important that you organize your memory files on the basis of logical association of ideas. When you acquire a new piece of information, you should try at once to tie it into a meaningful relationship with your prior knowledge. When you fit a new idea into a larger conceptual pattern which already exists in your mind, you are much more likely to retain it than if you try to commit it to memory as an isolated item. The difference is comparable to that between placing a document in a well organized subject file, and tossing it willy-nilly into a drawer.

"Many of the things we forget are things we never really learned in the sense of fitting them into a conceptual scheme," says Dr. Birren.



Dr. Birren points out that your brain's billions of cells have an incredibly great capacity to store memories. This makes it difficult to recall specific items, but better filing methods will help you

Two views of a market

For example, let's envision two executives sitting in on the same conference. One is the sales manager, the other the production manager. Both of them listen to a long report on plans for opening a new market. The sales manager immediately starts thinking what this will mean to him in terms of new regional offices, additional salesmen, and so on. He makes mental comparisons and establishes other meaningful relationships between the facts and figures in the report, and those which were already in his head.

The production manager doodles on a pad, jotting down an occasional figure with a mental note that he should memorize that.

If you tested their memories a week later, you would find that the sales manager could recall practically every pertinent item in the report, while his production colleague would be extremely hazy about details.

To take another illustration: Bill is a rabid baseball fan; John cares nothing for the game. If you asked both of them to study and later reproduce a list of famous pitchers

and their won-lost records, Bill would get a much better score, for the simple reason that he has a conceptual framework into which to fit the figures. They mean something to him, but to John they are just names and digits to be memorized.

You are more likely to have a conceptual scheme—and therefore a good memory—for things that interest or affect you than for information which is not particularly relevant to your present concerns.

Your teen-age daughter can recognize any one of the 20 top tunes of the week by hearing two bars of the music. Five years from now, she'll know the symptoms of every ailment a baby can have, and the page on which Dr. Spock tells what to do.

A young traffic manager may be a whiz now at remembering complex railroad schedules, but he could sit through a long lecture on the fluctuations of the bond market and not retain a word. Twenty years hence, if he has become a vice president, it may be just the other way around.

The moral is this: If you're remembering the kinds of things you really need to remember, don't worry about a poor memory for other things. Your mind is a highly selective instrument. As long as you maintain an intelligent interest in your work, you will naturally tend to develop new conceptual schemes —and therefore, effective memory capacity—for the things that are important to your performance.

It is the height of absurdity for an important executive to come away from a business conference at which he has demonstrated a keen capacity for remembering a vast array of complex facts long enough to weld them into the solution of a problem, and then go into a blue funk because he can't remember where he left his hat.

"If this happens to you," says Dr. Birren, "it doesn't mean that your memory is failing. It means your memory is working hard at precisely the tasks that it should be working at, and can't be bothered with trivia."

For men whose memory problems are confined to such things as lost hats and forgotten luncheon dates, Dr. Birren's advice is: "Get a good secretary, and quit worrying about it."

Cross-index your files

Suppose, however, that you find yourself forgetting things—such as a good customer's name—which are important for you to remember. What can you do about that? Here's Dr. Birren's remedy:

When you file a name or some other specific piece of data in your memory, cross-index it by putting it under several different headings. Or, to change the metaphor, "put as many hooks on it as you can."

Here's how the technique is applied to the problem of remembering names:

First make sure that you have heard the name correctly. If the introduction was mumbled, as it usually is, speak up and say, "I didn't quite get your name. How do you pronounce it?" No one, even if his name proves to be Jones, will be insulted by your interest in getting it correctly. This gives you an aural hook for memory, that is, one based on sound.

Next, use the name in conversation immediately, and preferably several times. This repetition reinforces the aural hook, and simultaneously creates a kinesthetic hook, because you have made certain motions of the lips and tongue in speaking the name.

At the first opportunity, write the name down. This gives you a visual hook, and also a different type of kinesthetic or motion-memory.

If you are really determined to remember that name, you won't stop there. Associate this man in your mind with several places—the place where you met him, the place where he works, a place you both have visited. Associate him with people. Whom does he work for? Whom does he know that you know? Who introduced you? (Women usually have a better memory for names than men precisely because they instinctively try to connect everyone they meet with someone they already know, or have heard about.)

This technique is called multiple-registration. It is especially useful for remembering names, but can be applied with equally good results to any type of information that you normally find hard to remember.

"The more ways you put a name, a fact, a figure, a date or anything else into your memory," says Dr. Birren, "the easier it will come out when you need it."

Simple repetition also helps to fix a fact in your memory. This is what youngsters do when they learn by rote for a recitation or test in school. Repetition differs from multiple-registration in that you use only one hook but make it, in effect, a very large one. For the mature adult with a great many things on his mind, it is a rather inefficient

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KEEP YOUR MEMORY YOUNG

continued

and time-consuming way to commit isolated information to memory, but it can be used to back up the more desirable methods of logical association and multiple registration.

How to hunt

When you say that you can't remember something that you once genuinely learned, however long ago, what you really mean is that you are having trouble fetching it cut of the permanent storage bins and onto the desk of consciousness.

This difficulty is precisely comparable to the situation a secretary faces when she knows that a wanted document is somewhere in the files, but cannot remember just where she filed it.

In this plight, only a stupid secretary would continue to ransack the one file drawer where the folder logically ought to be, but isn't. The smart secretary, once she had carefully searched that drawer without results, would begin to think of other possible headings under which the missing folder might have been filed. She wouldn't stop with the obviously plausible places. Knowing the quirks of the human mind, she would let her imagination roam over some of the unlikely-but-possible spots.

"When you search your memory for a lost item of information," says Dr. Birren. "you should be as flexible as a smart secretary looking for a mislaid file. It is amazing how many otherwise-intelligent men will continue groping in one compartment of memory long after it is obvious that the fact they want isn't stored there. The trick is to look somewhere else. Let your imagination work a bit. Think back to the time when you acquired this information—or the last time you used it. What associations might you have formed for this information? What offbeat heading could you have put it under?"

Shortly after saying this, Dr. Birren gave an unintentional demonstation of the importance of flexible memory search methods. Asked if he knew a man who lives just four houses away from him, he didn't recognize the name, and was unable to conjure up any obvious association—such as the location of his neighbor's house—which would give him a clue. But a few minutes later, when the word "farm" was mentioned, Dr. Birren's face lit up.

"Now I remember that fellow," he said. "I met him at a neighborhood party two years ago. He has a 240-acre farm in Frederick County, Md., and raises Aberdeen Angus cattle. He has a tenant farmer who looks after the place, and he drives out every Sunday in a jeep." He proceeded to give other accurate details about the man, his life, habits, appearance and family.

"I guess," Dr. Birren confessed rather sheepishly, "I must have had him filed under farms."

Dr. Birren emphatically rejects —as do nearly all modern psychologists—the popular notion that some people are born with good memories while others are afflicted with bad memories.

"There probably are some individual differences in innate capacity for memory," he said, "but they are of smaller importance than the wide variations which unquestionably exist in memory habits."

Nor does he go along with the widely held idea that a given individual may have a natural ability to remember certain types of information, but not others. This impression arises, he says, from the fact that people tend to go on developing one type or pattern of retention, which they have found useful, and to neglect the other types. Thus if you have a highly cultivated visual memory, but have never worked hard at aural memory techniques, you need not be surprised that you never forget a face but often can't remember the name that goes with it.

Conversely, if you were a musician with a well developed aural memory, you might be able to remember every note in a long symphony, without having any particular skill at visual memory tricks such as memorizing a long list of digits.

Finally, you might be like the late Albert Einstein, who retained into old age an incredible memory for abstract concepts expressed in mathematical formulae but often forgot where he lived.



Forgetting unimportant things is not serious, says Dr. Birren. It may mean your mind is busy concentrating on more vital business matters

Aids to memory

If you find that you tend to be weak in a certain type of memory—and it is interfering with your performance—you can do a good deal to remedy the deficiency by learning to translate or recode information into a form which you more readily retain. The man who jots down a figure which is read aloud from a report is trying to fix it in his memory by seeing it, because he knows he won't remember it merely from having heard it.

Some people have such a strong leaning toward visual retention that they are said to possess photographic memory. Psychologists call it "eidetic imagery" and are far less impressed by it than most laymen.

"It doesn't necessarily mean that you have an especially good memory," says Dr. Birren. "Being able to 'see' the very page on which you read a fact or figure is far less valuable, as an adjunct to creative intelligence, than the kind of remembering which comes from having fit that fact or figure into a conceptual system."

Most of the so-called "mnemonic devices" which people use to prompt memory, are simply ingenious methods of fitting isolated dabs of information into a conceptual system. You don't really need them for information which has a logical relationship to a body of knowledge you are accustomed to work with. They come in handy, however, for remembering such essentially irrational but important data as your doctor's telephone number, or the date of your wedding anniversary.

Millions of people have reduced the illogical arrangement of the Julian calendar to a conceptual system that can be remembered with the help of a little poem that begins, "Thirty days hath September. . . ." This is a relatively simple mnemonic device.

If you have the time, patience and need to master a more intricate system of mnemonic tricks, you will find a number of them being taught in memory courses or expounded in books. But it should be stressed again that the kind of memory which really matters to a business executive is the ability to form, retain and modify logical concepts, and it is exceedingly doubtful whether any memory course is going to be much help with that.

Nor is there any evidence, in Dr. Birren's opinion, that you can sharpen your memory for abstract concepts by the frequently prescribed device of studying a foreign language.

"It is a mistake," he says, "to think of memory as a large, single muscle. A lot of people have the idea that you can strengthen the memory with any type of exercise, and thereafter be able to remember everything better. The memory isn't like a bicep. What you'll develop by studying Italian is a system for remembering Italian words. The system may or not be useful for remembering the kind of information you need in your work. Usually, I'd say, there wouldn't be much transferability of memory skills from a language course to a business environment.

"Another important thing about memory is that fatigue and tension can greatly inhibit the search of your memory, however well trained it may be. Your tired nervous system may be emitting so much background noise that you just don't get the signal your memory is trying to send. That's why things you couldn't remember at the end of a long conference will suddenly pop into your mind next morning while you're shaving.

"I suspect that this factor accounts for a great number of the apparent memory failures which cause some busy men to fear they are losing their grip.

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REPRINTS *of "Keep Your Memory Young" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance.*



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Hard-pressed business managements are reaching for such means to help them contend with the string of serious problems dogging business today: shrinking profit margins, longer product lead times, constant flow of new materials, mergers and competitive shifts, and huge investments demanded by new programs.

Under the new system a company's management—with the help of its marketing department—answers three basic questions:

- Where are we now?
- Where do we want to go?
- How will we get there?

The first question must take into account: "Where are we now in relation to what's going on in our field?" The second includes: "Where do we want to go in relation to what's going to happen in the next few years?"

Where are we now?

Answering this question takes company planners through five closely related steps. These are essentially processes of fact-gathering which give management its integrated picture.

The five are:

1. Measuring the market segments.
2. Determining user needs.
3. Assessing competitive trends and potentials.
4. Identifying technical trends.
5. Analyzing the profit climate.

Measuring market segments: Sales and marketing managers are putting increasing emphasis on accurately identifying the parts of their markets. "The sales manager has to know whether he is going after the deluxe market or the low-price market, the government market or the commercial market, the small user or the big user,

MEASURING MARKET SEGMENTS:



Sales manager needs to decide which parts of the market he is going after

and so on," says Newell Garfield, Jr., a partner in the management consulting firm of William E. Hill & Company of New York. "If he conducts his examination correctly, he can identify the different customer requirements in his industry."

Markets break down in a complex variety of ways. An accurate appraisal will guide a sales manager's advertising, promotion, distribution and selling approach.

It is also essential to know whether the company is going to be selling to a market of $250,000, or $500,000 or $1 million, says Charles H. Granger, another of the partners in William E. Hill & Company.

No longer can a sales manager throw up his hands and say, "There just aren't any figures available, but the market is tremendous." The fact is that new approaches in marketing research have developed techniques which can provide a workable measurement by segments of practically any market.

Unfortunately, neither outside statistics nor company sales records are usually really meaningful for marketing strategy decisions. Most of these statistics refer to a product rather than the market. So a marketing manager and his research people generally compile their own statistics.

A hard look at some familiar segment may show it to be entirely different from what it appeared to be.

For example, the sales manager of a company which produced welding supplies realized for some time that he had only a small share of the over-all market. He also knew that the president would expect him to come up with a much larger share in the five years ahead. Everyone in the company had always considered that they had a single market, to be attacked by direct selling. But under close analysis, the market broke down into three different segments:

1. The original equipment manufacturers which could be reached by direct selling.

2. Independent repair shops which could best be reached through wholesalers.

3. The captive repair shops which could be reached best through manufacturers' representatives.

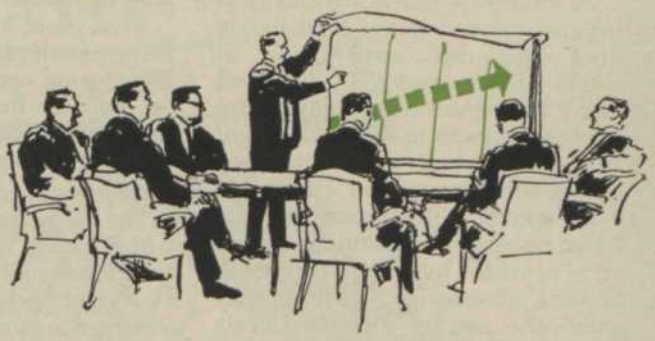
Close examination revealed that problems caused by variations in market size, product, promotion, growth rate, distribution costs, competition, and profit possibilities had to be solved in order to determine how each segment was to be developed.

A new plan was worked out which, in effect, treated the marketing effort as three separate businesses. Result: a much higher profit opportunity.

Determining user needs: Marketing people realize they must hit the market with what the consumer is going to want in the future. More time now is required to establish comprehensive marketing programs. In industrial and technical products, some of the pacesetting companies are using what are coming to be known as "advance product-planning teams."

One company making industrial instruments seeks a better posi-

DETERMINING USER NEEDS:



Advance planning is key to providing what public will want in the future



ASSESSING COMPETITIVE TRENDS AND POTENTIAL:

Information about what your rival is doing enables you to take initiative

Checkerboard technique helps you to size up your marketing opportunities

tion in the petrochemical market. An advance product-planning team meets periodically with process design and instrumentation groups in producing companies and engineering firms to discuss functional needs five and ten years ahead—covering, for example, the pressures, temperatures, sensitivity, reliability, and environmental condition in various processes. It then projects plans to meet the anticipated needs.

Marketing planners are also growing more aware of the need to conduct long-range research at all levels of the trade. In the past, many companies have limited their market contacts to the dealers with whom they had direct business; others concentrated on consumers.

A specific illustration of how broad research and planning can pay off is provided by a manufacturer of apparel accessories which investigated the market at three levels. First it researched consumers. They were found to buy on the basis of style, color, the advice of sales personnel and, to some extent, the store's reputation. Brands meant little or nothing, so that chances of achieving anything important on direct appeal to the consumer seemed slim.

The researchers then examined buyers for the department stores. They discovered that buyers of this particular merchandise were satisfied to set up two or three reliable supply sources. Once a manufacturer gave them reasonably good service, the buyers showed little interest in a new source.

The marketing director next turned to merchandising managers at executive levels of the stores. Here opportunities began to open up. They were keenly interested in return on investment and profit on sales in relation to space.

A multiphase program adapted to the users' needs was worked out. The manufacturing firm's merchandising experts developed improved display techniques to stop customers. They conducted an in-store sales personnel training program to reduce the number of people who left the counter without buying. They worked out cooperative advertising and trained their own salesmen in techniques of department store inventory control to help the buyers reduce their closeouts.

Then the marketing director decided to go even further. He recruited a force to do executive selling to department store upper management. It was topped by the company president, the marketing manager, and two regional sales managers. This key group had plenty of punch to put the program across. The regular sales force was able to follow up effectively.

Five years have been required to carry out all phases of this program. But during each of these years—in an industry that grows slowly—the firm's sales have never increased less than 10 per cent.

Assessing competitive trends: Just as the Germans surprised the world with Panzers and Stukas and other secret weapons, so may a commercial rival today blast out with a lower-price strategy, a revised product line, or some other sudden maneuver which knocks competitors' sales and profit budgets into the middle of the year after next.

What can be done about it? "Plenty," Mr. Granger says. "As a matter of fact, positive forward action may be essential for a company's very survival. Just as their military counterparts have learned how to keep a running evaluation on the other fellow's capabilities, so have today's top marketing managers developed new ways of keeping close watch on about everything the competition is up to."

Marketing-oriented companies have intensified and systematized the gathering of competitive information as a foundation for their current and future planning efforts. Their principal sources of data:

Patent proceedings and patent publications which describe competitor developments.

Articles by research specialists.

Comments from vendors collected through the purchasing department.

Analyses of annual reports and prospectuses.

Analyses of salesmen's call reports.

Contacts with advertising and publicity media.

This information is fed into a central group which assembles all the bits and pieces into a picture of the competition's prospective movements and starts preparatory competitive action.

For example, when a large coffee roaster learned that a competitor was coming out with an instant coffee, the marketing department designed strategy to counter the effects. The counter promotion campaign even had merchandising budgets laid out so it would not be necessary to go to headquarters for approval when money would be needed. When the competition came out with its new instant coffee, the first company quickly reduced inroads into its market.

Identifying technical trends: The smart marketing manager now sees that engineers and scientists keep him filled in about what's in the works so that he can have an up-to-date technical background for his marketing strategies. In turn, the marketing manager tells general and technical management what the needs of the future will be so the technical people can adjust their thinking to fill these demands.

Companies have developed materials evaluation groups which constantly appraise technical innovations for use in products. Whenever a new material comes out, they go to work on possible applications.

Analyzing profit and pricing climate: Although forward planning of sales has become common, projection of profits into years ahead has not. However, the new type of long-range plan takes the future profit and pricing climate into direct account. For the profit line at the bottom of a marketing plan is the first thing general management will read.

How can the head of sales or marketing plan for improved profits—and see that the necessary action is taken, with essential lead-times—in the other parts of the company?

Granted, cost of goods sold is outside his province. But by projecting the share of market and volume he can reasonably expect to obtain, along with the probable pricing climate, he can help show the manufacturing people what their costs will have to be if the company wants to earn its planned profit. This can lead the manufacturing people to plan for extensive automation, moves to a lower-cost location, or a number of other actions that might not have been considered seriously if the marketing manager had not done his long-range homework on profit planning.

How can the marketing or sales manager project the future pricing climate? A chart for the past 10 years showing his principal product



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lines with selling price and margin over costs will give him the long-term trend. It will often show a surprising shrinkage in margin even on the most solidly established products.

Direct costing is one of the factors that has made good profit planning possible. For example, it shows quickly whether a price cut will give you enough extra volume to increase profit. "Special studies" are no longer necessary.

But what about the future?

Tomorrow's pricing climate will be affected by such things as overcapacity in an industry, changes in the nature of competition, increasing import competition and the company's own ability to come up with product improvements to give the sales manager enough edge for a decent margin. Planning now will provide an idea of where the company's profits are headed, so research, manufacturing and other departments can take any necessary remedial steps while there is still time.

Most marketing managers face a profit squeeze unless they take positive action. Barring military conflict, the 1960's will see more capacity than demand in all but a handful of infant industries—those still in the attractive profit phase of their product life cycles. Net profit on investment for industrial companies has declined almost one per cent a year from a peak of almost 20 per cent in 1948 to about 10 per cent today.

Marketing managers realize in most cases that, if they merely maintain the status quo in sales, margins will shrink. They are continually on the lookout for new and improved products and improved marketing techniques.

Where do we want to go?

When all the information has been collected and collated, the marketing manager and his assistants lay it out for comprehensive visual presentation in a series of charts that can eventually plaster a whole wall in the biggest conference room. This technique makes possible a detailed over-all look during conferences—in which not only marketing but general management participate—to shape the company's future. Sometimes the charts include graphic material, sometimes they are mere summaries or even text blocks analyzing a key situation. Taken together, they form huge checkerboards symbolic of the business gamesmanship in which the onlookers participate.

Probably the checkerboard technique will be used first at the annual marketing strategy meeting, which might include the vice president of marketing, the various sales managers, product managers and the heads of market research, advertising and other key marketing functions. On the wall, the onlookers might see, for purposes of illustration, five main charts containing—for present and future: market segments, user needs, technical trends, competitive trends, and profit climate.

First to be displayed are the unit and dollar volumes for each of the market segments in which the company participates or might participate.

The next step is to find the significant functional needs of the consumer in each of the market segments. The search must cover products, financing, service, availability and the like.

Technical trends must be watched constantly if a company is to take quick advantage of new materials and processing skills.

To make sure that technical developments are followed and applied with the greatest effectiveness, many companies have a permanent materials evaluation group. The trick, of course, is not only to catch the new trends but to interpret their commercial importance. This takes ceaseless coordination of engineering and marketing experts.

In forecasting competitive trends, another checkerboard chart is used to show present standings in each market segment, including the identity and nature of competing firms, with as much pertinent data as possible on share of market, company dollar volumes, profits, competitor intentions and potential.

The planning-oriented sales manager must look for horizontal or vertical integration; the failure of weaker competition as times get tough; trends toward standardization where the investment is low and where the know-how is so commonly available that anyone can get into the field—thus forcing margins down. It is also necessary to watch constantly for the threat of foreign competition.

The emergence of new companies from a related field is an important factor to be weighed.

When all the plus and minus factors have been laid out, the planners pinpoint the most promising competitive areas in relation to their own strength and present position, and move in on them, making the necessary adjustments in existing departments, and setting up additional ones where necessary.

In their over-all look at the profit climate, present and future, the market planners are constantly searching for "exclusivity" to command pricing for a decent margin. They should assess such future price and profit-influences as:

Industry capacity in relation to what the market can absorb; strength of existing patents or techniques; opportunity for product innovation; the number and exact nature of the competitors (will there be many low-overhead small competitors or a few strong ones?) and competitive distribution systems—to see if there is an opportunity to develop an entrenched position.

How do we get there?

In this step planners say:

"OK, here are the facts and here are our goals. Here are the key steps we have decided to take. Now let's integrate them into a timed and coordinated program."

At this point they begin the preparation of a master plan.

This document lists all the main functional groups making up the marketing department. The sequence of steps that various departments need to take from year to year to carry out major phases of the program are checked off.

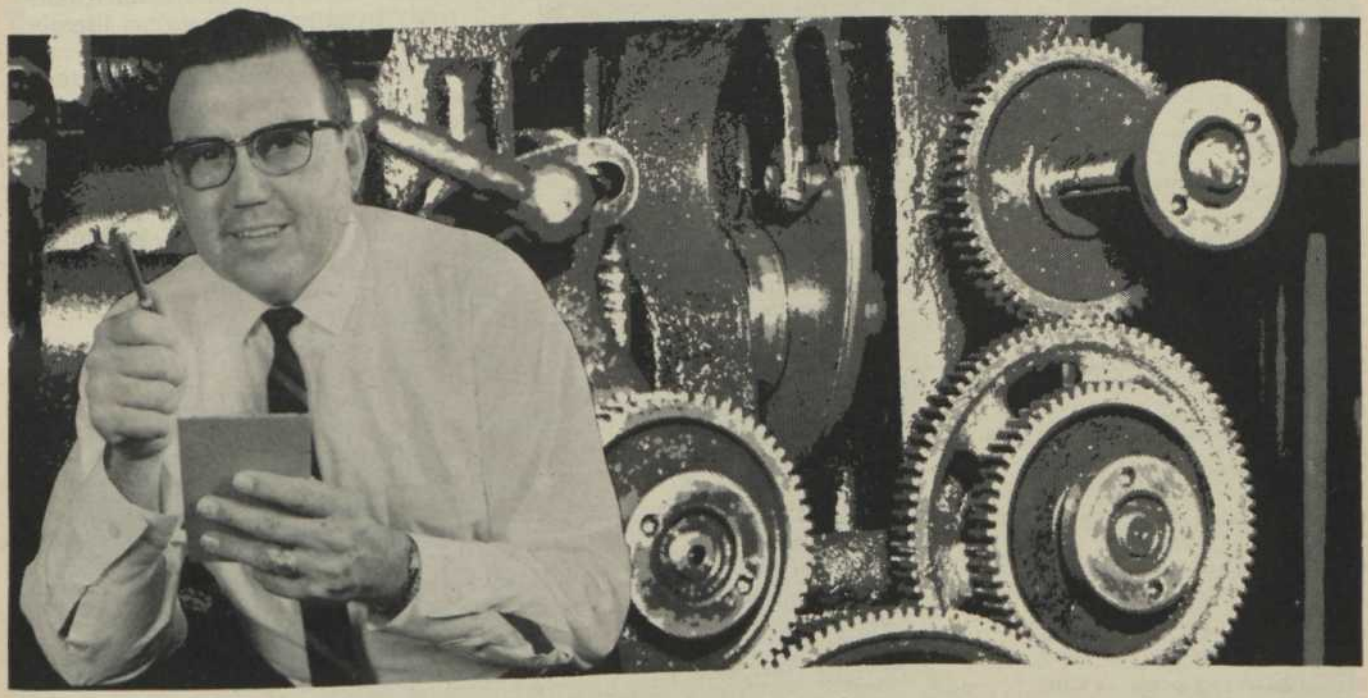
The master plan is used to keep the picture up to date. Those who are charged with its execution must live with it continuously. It must be constantly refreshed with new information and constantly analyzed for new shifts necessitated by impending technical breakthroughs, moves by competitors, and changes in market segments or the over-all plan of distribution.

The volume containing the master plan may be a fairly large book, supplemented by charts, and serve as a reference for other volumes containing detailed breakdowns of the various moves being carried on in different departments.

In a company specializing in custom-engineered materials-handling equipment, the long-range program contained many intricately related elements. However, the key element, on which success could hinge, was expansion into a related line of standardized packaged equipment.

A sales force especially oriented to the new line was to be set up but it couldn't be organized until a

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knowledgeable sales manager was engaged. The search for him was expected to take six months.

The key point for the twelfth month was to have the product line ready to go and promotional literature made up.

For the twenty-fourth month, the goal was to have national distribution in some 40 odd territories—and so on. All this took painstaking coordination and follow-up. This example illustrates a vital point in long-range marketing planning which is frequently misunderstood. Someone not familiar with the process will say:

"Isn't it a little ridiculous for us to waste time now planning our trade show for 1965?"

The answer to this, according to Mr. Garfield, is that it would be ridiculous to plan the show in any detail. However, a sales manager should be sufficiently on top of the trends to know several years in advance whether he should participate in the show or start building a position in an altogether new promotional media. Planning a move well in advance may prevent a long and costly delay while neglected preliminaries are being tardily pursued.

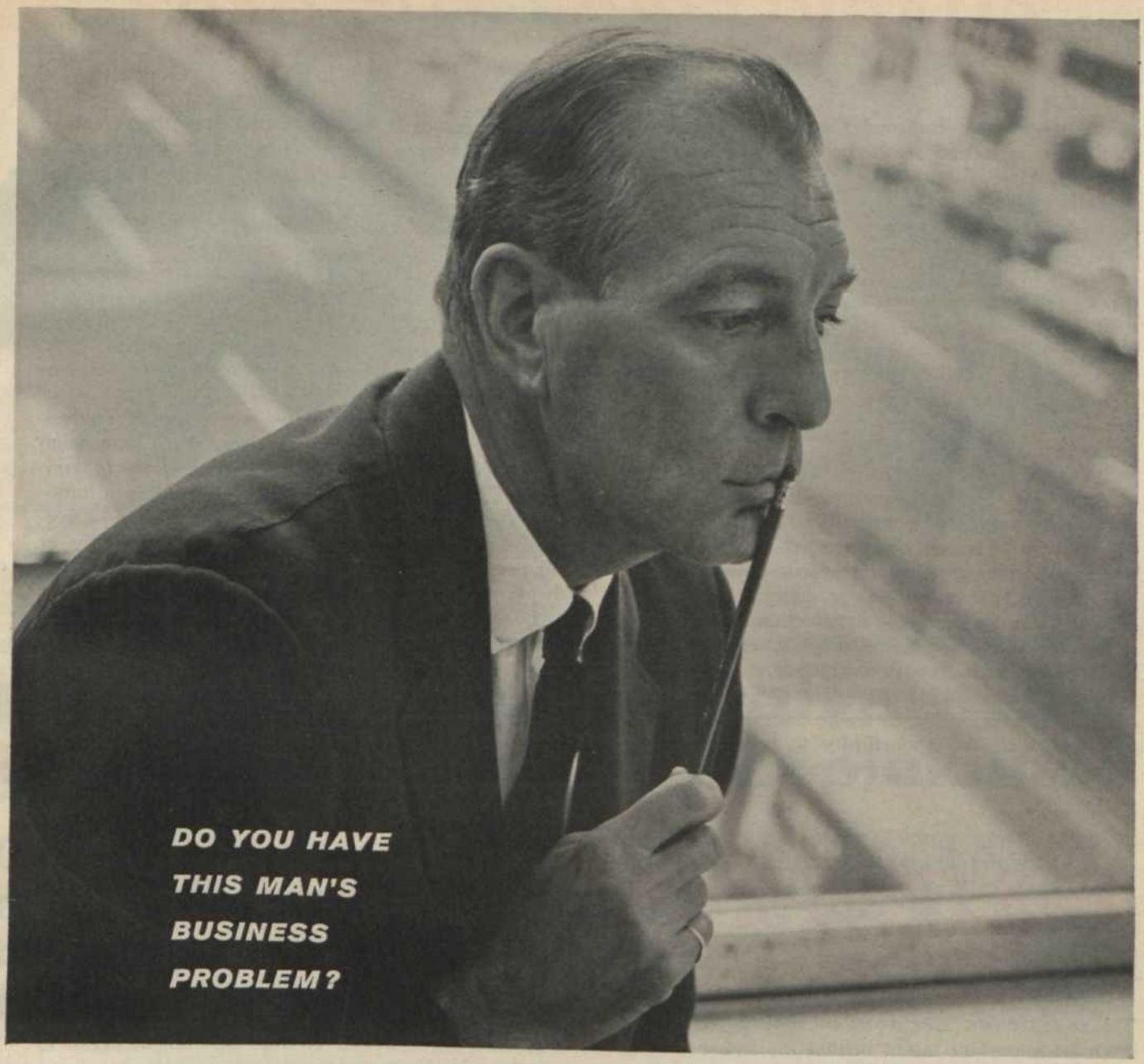
The creation and execution of an organized marketing plan is not a job for some brilliant business genius. It is a group operation of top marketing specialists working as a team. Ideally, the marketing manager should have drafts of other department plans as early as possible and other department heads should have his program.

After all the major steps have been completed, and a final plan adopted, most successful practitioners of marketing planning present a summary for review by management or the board of directors.

Management has come to think of marketing not as a department but as a philosophic umbrella over the whole business. It is this climate that is making the application of profit-oriented long-range planning to marketing a topic wherever management leaders discuss new ways of improving their profits.

—PHILIP GUSTAFSON

REPRINTS *of "Sell More Through Better Planning" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H St. N. W., Washington 6, D. C. Please enclose remittance.*



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SHACKLES OF THE PAST

A PRESIDENTIAL Railroad Commission has found that there is indeed featherbedding in the railroad industry. After 15 months of study, it so reported to President Kennedy. In passing the report on to the railroads and operating unions to use as a basis for negotiations on work rules, the President said:

"I cannot point out too strongly that, while the carriers and the unions have great responsibilities to their respective interests, they have an overriding responsibility to the national interest to provide the most efficient and safe rail transportation possible. I know that both sides agree with me that in serving the national interest first they serve their own interest best."

Speaking for the railroad industry, the Association of American Railroads accepted the Commission report as an important contribution to the welfare of the country. Though disappointed in some of the provisions, the carriers remarked philosophically, "We realize that no subject so complex as this can be settled to the complete satisfaction of everyone."

The heads of the five railway operating brotherhoods rejected the report completely.

Among other things they said: "We regret that the Commission failed to shake the shackles of the past and seize the opportunity to become a major force in directing the course of labor relations."

They declared: "The railroad operating employe will not become the sacrificial lamb who must be destroyed in order to subsidize incompetent managerial direction." They reaffirmed their intention to "press for modernization of work rules so that rail operating employes can enjoy shorter hours, job stabilization, differential, holiday and overtime pay and the protection of life and limb through minimum crew provisions."

This language seemed unnecessarily florid.

The report would raise the pay of 75 per cent of the operating workers.

For those in nonproductive work, largely unneeded firemen on diesel locomotives, the Commission would permit those with 10 years service to continue at work; others would receive monthly a lump-sum dismissal pay based on length of service (a five-year man would get monthly pay for 36 months at 60 per cent of past pay); preferential hiring status; two years training at carrier expense.

Other Commission recommendations call for shorter hours; differential, holiday and overtime pay, and a five-day week guarantee.

It will be regrettable if, in the new negotiations, the union leaders "fail to shake the shackles of the past and seize the opportunity to become a major force in directing the course of labor relations."

POLITICAL INTERPRETATION

TO INFLUENCE OPINION—as well as inform—is often an important intent behind the issuance of information by federal agencies.

This reality of political life should not be overlooked. The implications of federal pronouncements can be far-reaching.

Here is an example. Discussing future job opportunities for civil engineers, the Occupational Outlook Handbook, Bulletin No. 940, said: "Persons who start training now or in the near future may be confronted with keen competition for jobs." The same bleak prospect was forecast for electrical and chemical engineers.

This was the job outlook for engineers in 1949, according to a government agency advising students in the "selection of courses to pursue."

Enrollment nosedived. From 220,000 studying engineering that year the number dropped to 180,000 the following year and 165,000 the next.

Then government bureaucrats discovered they had erred. There was a great new need for engineers. Students were advised of this. Enrollment began to climb again.

Now comes 1962—with 272,800 young Americans working toward engineering degrees. Those working for the master's degree number five per cent more than a year ago. Students for the doctorate number 22 per cent more.

But the government announces that freshmen enrollment has not risen in two years, implying that the future of America is in jeopardy because of this. In announcing the survey, an official warns: "The balance of brain power may tip—and tip dangerously—against us if the nation does not awake to the importance of education to the freedom of the western world."

Telling the nation about engineering enrollment is giving information. But to say we're losing the brain power race looks like an attempt to shock taxpayers into supporting a tighter federal grip on our schools.



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